Austria	Sch22	Indonesia	Rp2100	Oman	Or1		
Bahrain	Din0.700	Iran		Philippines	Peso30		
Belgium	BFr55	Israel		Portugal	Esc140		
Cyprus	C£0.90	Italy	L1700	Qatar	QR8.50		
Denmark	DKr13.00	Jordan	Fils800	S.Arabia	Rls10		
Egypt	E£3.25	Kuwait	Fils.600	Singapore	S$4.10		
Finland	Fmk7.00	Lebanon	L£30.00	Spain	Pta145		
France	FFr7.00	Lux	LFr60	Sweden	SKr10		
Germany	DM2.20	Malaysia	Rin4.25	Switz	SFr2.40		
Greece	Dr125	Morocco	Dh8.00	Thailand	Bht50		
Hong Kong	HK$12	Neth	Fl3.00	Tunisia	Din0.800		
Iceland	Kr125	Nigeria	Naira10	Turkey	L800		
India	Rup15	Norway	NKr10.00	UAE	Dh7.00		

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,851 — Wednesday May 24 1989 — D 8523A

FRANC ZONE
Storm clouds under French umbrella
Page 24

World News

Iran admits Khomeini is ill following surgery

Ayatollah Ruhollah Khomeini, Iran's spiritual leader, had an operation for internal bleeding, according to Tehran Radio, in the first official admission that he is ill. Page 6

Wright defended
Defence lawyer for Jim Wright, Speaker of the US House of Representatives, put the case before a televised opening hearing of the House of Representatives Ethics committee. Page 24

East-West ties
Senior East German Communist officials have signalled plans to expand economic ties with West Germany. Page 2

PLO applauds Baker
PLO welcomed the strong stand against Israeli expansionism taken by James Baker, US Secretary of State. Page 8

Weizsäcker elected
Richard von Weizsäcker, West German President, became the third President since the Republic was established to be re-elected to a second term. Page 2

Thatcher meeting
Margaret Thatcher, British Prime Minister, plans to meet F.W. de Klerk, leader of South Africa's ruling National Party. Page 6

London under water
Rising underground water levels beneath London are threatening building foundations and the underground. Page 10

Macao march
Some 120,000 people marched through the Portuguese colony in support of the pro-democracy movement in Peking. Page 6

Thai rail crash
Passenger train derailed into a ravine in northern Thailand injuring more than 200, including some Westerners.

Tamil killings
A Tamil rebel group killed three Indian soldiers in an ambush in eastern Sri Lanka.

Haughey may go
Irish Prime Minister Charles Haughey hinted that he was poised to call a general election after just two years in office.

Soviet airmen doped
A Soviet pilot who defected to Turkey in a MiG-29 fighter fed colleagues with a drugged cake.

Sudanese clashes
Sudan said 460 people were killed and 127 wounded in clashes between rival tribes.

Trawler catches sub
A Norwegian trawler caught a 1,500-tonne French submarine while fishing north-west of the Shetland Islands, Scotland.

Miners killed
Two miners were killed in a rock fall 1,590 metres (4,500 feet) below ground at a South African gold mine.

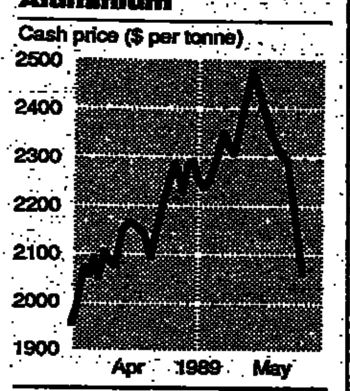
Swedish squeeze
An 80-year-old Swedish woman was trapped in a deck chair on her balcony for 48 hours when the cloth split as she sat down. She was uninjured.

Business Summary

McMahon attacks US initiative on debt crisis

Sir Kit McMahon, chairman of Midland Bank, the UK bank with the largest exposure to Latin America, attacked a new US-led initiative for dealing with the Third World debt crisis. Page 24

ALUMINIUM prices fell sharply again on the LME, cash metal shedding $102.50



to $2,060 a tonne after Monday's fall of $127.50. Page 40

ROYAL BANK of Canada, Canada's largest bank, is restructuring its European operations to focus on corporate banking. Page 25

BRITISH AIRWAYS, UK flag carrier, announced its merger with British Caledonian helped boost the airline's profits to $420m before tax in the year to March 31. Page 25

ASEA BROWN BOVERI, the Swedish-Swiss electrical engineering group, signed a co-operation agreement with Matsushita Electrical Industrial Co Ltd (MEI) for the sale of robots in Japan. Page 7.

AMERICAN AIRLINES, US carrier, intends to buy 100 Saab 340 medium-sized aircraft in a deal worth an estimated $775m. Page 7

BMW, West German car company, is raising $85m through a low-priced rights issue of preference shares. Page 25

THOMSON-CSF of France, leading group in military electronics systems, is to standardise its military computer products using microprocessor chips. Page 27

INDONESIA, the world's largest exporter of liquefied natural gas, is facing strong demands from its Japanese buyers to renegotiate long-term contracts. Page 7

CANADA'S Federal government stands to make more than $420m from the sale of its stake in Air Canada, the national airline. Page 27

SEAS, Danish electricity producer, has defeated a foreign takeover bid from a Luxembourg-based finance company, Jomsberg. Page 26

BOVIS, UK construction group, has formed a joint company with Smelt, a Yugoslavian contractor. Page 7

SCHINDLER Holding, international lifts manufacturer, said it "made a mistake" in taking over a stake in the Swiss company Also Holding. Page 26

NEWS CORPORATION, Rupert Murdoch's Australia-based media company, reduced its holding in Northern Star Holdings, of Australia, for $25.5m. Page 28

TOYOTA, Japanese vehicle-maker, is to supply engines from Indonesia to Malaysia, expanding Asian operations.

VICTOR COMPANY of Japan (JVC), consumer audio and video equipment maker, showed a 67 per cent increase in annual consolidated net profit. Page 28

DATA supplied by Extel Financial was seriously delayed yesterday by a flood in the London computer centre. Some unit trust prices in this edition of the Financial Times have been affected.

Chinese reformist flies home to rally moderates

By Peter Ellingsen in Peking and Steven Butler in London

THE CHAIRMAN of China's legislature yesterday cut short a visit to the US and returned to Peking in an effort to rally the country's moderate forces.

Wan is planning to convene a special session of the country's National People's Congress which has legal authority to annul the martial law decree issued last Saturday, according to his close associates. Wan was to meet President Bush before returning home.

Wan played a key role in China's agricultural reform earlier in the decade and is one of the country's elder statesmen. His return represents a direct threat to Li Peng, the Prime Minister, who came under attack for the first time yesterday in reports by the official news agency.

Wan was quoted saying: "All these problems should be settled through democracy and the legal system. The Government should be rational and peaceful in coping with this situation." A decision by the NPC to annul martial law would almost certainly lead to Li's downfall.

The Chinese Prime Minister's position looked increasingly precarious as he failed for the fourth day to enforce martial law on the streets of the capital and prevent the spread of pro-democracy demonstrations elsewhere in the country.

There were unconfirmed reports that Li had placed Zhao Ziyang, the Communist Party general secretary and his chief rival, under house arrest. This move followed Zhao's apparent refusal to support the martial law decree issued on Saturday, aimed at quelling pro-democracy demonstrations on the streets of Peking.

Hundreds of thousands of students yesterday again marched through Peking in pouring rain and called for Li's resignation. Big rallies were also held in Shanghai where workers discussed the possibility of staging a general strike. In Urumqi, capital of the predominantly Moslem province of Xinjiang, demonstrators stormed the Communist Party headquarters, while big demonstrations were reported in Changsha, Shenyang, Nanging, and Chungdu.

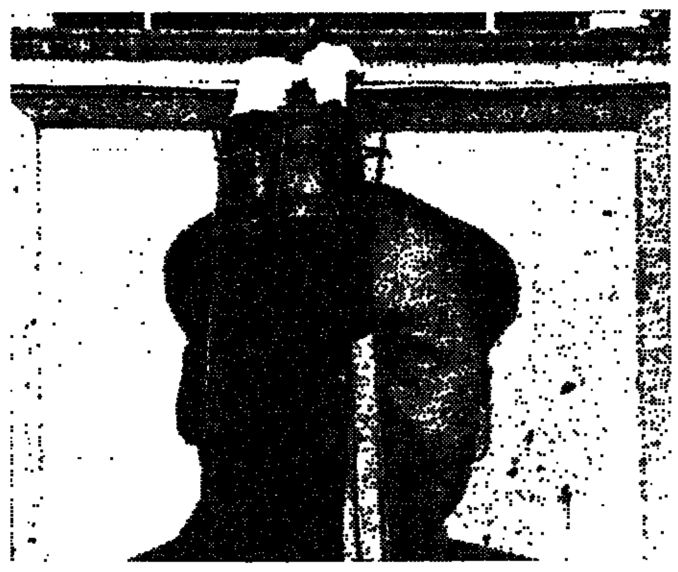
Paradoxically, in a day that saw continued withdrawl of martial law troops from positions on the outskirts of Peking, life in the capital city was returning to normal, with some buses and taxis again running, and traffic moving through the streets.

Yesterday's demonstrations were buoyed by a sense of elation that troops had not yet penetrated barricades erected around the city and optimism that Li would be eventally removed. Posters comparing paramount leader, Deng Xiaoping, with the hated Dowager Empress were held aloft, along with, "Li Peng's fall can only be minutes away."

There were tentative signs among some students that they felt their point had been strongly made and it was time to withdraw, but others were determined to maintain the protest until the Government agreed to meet demands for dialogue on political reform, press freedom and greater party accountability.

Even though demonstrations have now been raging for five weeks, and some foreign companies are talking about expatriating their staff from the capital, there was no visible sign of the student campaign slackening.

The New China News Agency also appeared to herald Li's fall when it reported for the first time crowds of demon-
Continued on Page 24
Deng takes his time, Page 6



Workers prepare to drape a paint-spattered portrait of Mao at the Gate of Heavenly Peace in Peking yesterday

Pound's fall raises UK interest rate pressure

By Simon Holberton in London and Roderick Oram in New York

THE PROSPECT of higher UK interest rates to defend sterling was raised yesterday as the pound fell sharply against both the D-Mark and the dollar in late European trading.

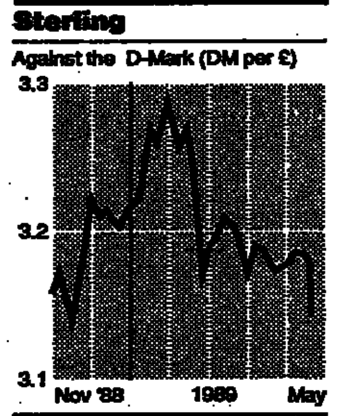
Sterling fell back after Mrs Margaret Thatcher, the Prime Minister, said in the House of Commons that the steps taken by Mr Nigel Lawson, the Chancellor, would "deal with inflation and get it on a downward course."

In its seemingly paradoxical reaction, sterling slumped 3 pfennigs to DM3.1450 and nearly 1¼ cents to $1.5670 in London. It closed at $1.5635 in New York. Mrs Thatcher's words were interpreted by the foreign exchange market as indicating official reluctance to increase UK interest rates.

The dollar, meanwhile, again resisted attempts by central banks to drive it lower amid signs that the Japanese authorities are preparing to raise official interest rates and continuing concern about the state of co-operation among the Group of Seven leading industrialised countries.

The US Federal Reserve and the Bank of Canada both attempted to force the US currency lower when it dipped below DM2, but their action appeared to fuel interest in the dollar and it rose back above the DM2 level. The Bank of England twice intervened to sell dollars, but its tactics seemed designed more to support sterling.

The Bush administration reaffirmed its strong support for international policy coordination aimed at stabilising exchange rates, while senior Federal Reserve governors rejected calls to cut interest rates to help check the rise in the dollar.



Mr James Baker, US Secretary of State and former Treasury Secretary, stressed the importance of the coordination process "moving forward effectively and efficiently." He said it was "the coordination of underlying economic policies that is going to make a difference in terms of exchange rate stability."

New York foreign exchange traders appeared more cautious, after their unchecked bullishness of the past fortnight, in response to conflicting reports about US policy toward the dollar.

They said they were unsettled by reports that some Federal Reserve officials wanted to ease interest rates to lessen upward pressure on the dollar. Profit-taking and the possibility of heavier central bank intervention also took their toll.

The chances of the Fed cutting rates were seen as slim, though, particularly after the news that US durable goods orders rose by 2.9 per cent in April, their biggest one-month gain in two years.

The Fed tried to take advantage of the dollar's weakness, buying D-Marks and yen to drive it down further but its success was only short-lived. The US currency closed at DM2.0114 and Y142.335.

Trading was the quietest since the dollar rose above DM1.9 two weeks ago.

The UK Government faces the possibility that the markets will now try to test its resolve not to let the pound depreciate ahead of tomorrow's trade figures for April.

Mr Lawson has said that the fight against inflation needs to be bolstered by a firm exchange rate and the Treasury again confirmed that this remained policy.

London money market interest rates, a guide to market expectations of official interest rates, rose above 13 per cent.

The possibility of higher interest rates and the weak pound gave little cheer to the London equity market where prices fell for the second day in succession.

Medicine fails to cure, Page 3; Currencies, Page 48; World Stock Markets, Section II

US, Bonn still apart on nuclear arms policy

By Peter Riddell, US Editor, in Washington

THE US and West Germany are still some way apart over the future of short-range nuclear weapons in Europe and their differences may not be resolved before the Nato heads of government summit in Brussels next Monday, Mr James Baker, US Secretary of State, warned yesterday.

His comments follow the receipt in Washington late on Monday of the Bonn response to proposals made by the US last week for resolving the dispute.

It is now apparent that intensive discussions in the past week have failed to remove basic differences over the linkage of negotiations on short-range nuclear weapons with the Vienna talks on conventional forces in Europe.

Mr Baker said at a White House briefing that after these exchanges "there is still a gap between their position and ours." He was still hopeful that it would be resolved before the summit but "I can't tell you that we know that it will be. It's an extraordinarily important matter that deals with the security of the West," and it should not be resolved at any cost.

This caution contrasts with the optimism last weekend
Continued on Page 24
Editorial comment, Page 24; The magnetism of the East, Page 24

Western banks in Soviet venture

By George Graham in Paris

A GROUP of five European banks have set up the first joint venture bank in Moscow in partnership with three Soviet banks.

The venture, which will be involved mainly in trade finance and funding joint ventures, will inject Western standards of banking expertise into the Soviet financial system,which President Mikhail Gorbachev has been anxious to modernise.

Called International Moscow Bank, it will be majority-owned by its European partners: Banca Commerciale Italiana from Italy, Bayerische Vereinsbank from West Germany, Creditanstalt Bankverein from Austria, Crédit Lyonnais from France and Kansallis-Osake-Pankki from Finland. Each will have 12 per cent.

The Soviet Bank for Foreign Economic Affairs will hold 20 per cent,while Promstroybank, the industry and construction bank, and Sberbank, the savings and credit bank, will have 10 per cent.

Many Western banks have been eager to set up a joint venture bank in Moscow, posing a difficult choice for the Soviet authorities. The group finally selected includes three of the most active Western commercial banks in the Soviet Union - Creditanstalt, Crédit Lyonnais and BCI - but not the most important participant, Deutsche Bank.

Bankers involved in the project say that International Moscow Bank was initially conceived as a 50:50 partnership, but when majority stakes by Western companies became permitted under a change in the joint venture law at the end of last year, the Soviet banks asked the five European institutions to take the majority as a highly visible symbol of the new openness.

The bank is expected to concentrate on funding mixed capital joint ventures between the Soviet Union and the West, as well as on foreign trade finance. It wil take corporate and institutional deposits, and carry out foreign exchange and securities transactions.

Around 70 per cent of its lending activity is expected to be in convertible currencies, with the rest in roubles. Its operations should help Soviet bankers acquire enhanced skills in commercial credit
Continued on Page 24
Moscow signs $330m trade finance deal, Page 7; Spy row will hurt UK-Soviet business, Page 24

Moscow staff quotas may hit business

Moscow's decision to limit the number of British employees is likely to restrict future business deals. In London yesterday, an innovative $300m trade finance loan was signed for the modernisation of a polyethylene plant in the Soviet Union. Reports, Pages 7 and 24

UK drops opposition to tighter EC car exhaust emission rules

By Tim Dickson in Brussels

TOUGH US-style car emission standards could be introduced in Europe more rapidly after a U-turn by Britain.

European Community officials in Brussels say the UK has reversed its previous position and decided to back the EC's revised proposals to move to stricter exhaust standards by 1993.

The policy change, which emerged during discussions in a working group of EC member states, is important for the campaign of Environment Commissioner Mr Carlo Ripa di Meana, to get a "qualified majority" vote at the Council of EC Environment Ministers on June 8.

Preliminary soundings suggest that Britain's conversion to higher standards could tip the balance in the Commission's favour.

Italy, for example, has made clear its willingness to join the "green" camp led by West Germany, the Netherlands and Denmark. Only France and Spain among the so-called dirty countries with big car industries are reserving their position.

The suddenness of the EC's change of gear – prompted by pressure from environmental groups and the European Parliament – has surprised many observers and has important implications for the European car industry.

The Commission's latest plans envisage a two-step approach so that the standards agreed last November – 30g per test for carbon monoxide and 8g per test for a combination of nitrogen oxide and hydrocarbons – would have to be introduced by January 1 1991 and the second stage (19g and 5g respectively) would be obligatory by 1993.

The UK position, which will emerge in a debate in the House of Commons tonight, accepts the higher norms and the fact that they are mandatory.

However, Britain and others are likely to argue against the intermediate stage in favour of a simple one-step solution, while the UK will also insist that the sort of national incentives introduced in the Netherlands to encourage quicker application of the US norms be disallowed.

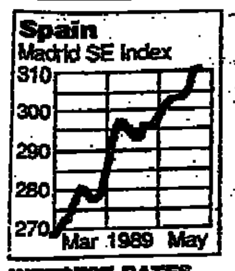
Britain apparently feels that the lean-burn technology which it has backed, but which cannot meet the higher US norms in an economic form, still has a bright future. It recognises, however, that only three-way catalytic converters will be able to meet the Commission's requirements.

CONTENTS

West Germany celebrates its 40th anniversary

In a changing international environment, examination of where Germany's interests lie has been considerably muddied by irresolution and bickering in Chancellor Helmut Kohl's coalition.
Page 22

MARKETS



INTEREST RATES
US lunchtime
Federal Funds 9¾% (9⅞)
3-mth Treasury Bills: yield: 8.564% (8.588)
Long Bond: 102⅞ (same)
yield: 8.593% (same)
London
3-month interbank: close 13⅛% (13⅛)

STERLING
New York close
$1.5640 (1.5750)
London:
$1.5635 (1.5805)
DM3.1475 (3.1775)
FFr10.6800 (10.7525)
SFr2.8025 (2.8350)
Y222.50 (224.50)

DOLLAR
New York close
DM2.0114 (2.0130)
FFr6.8125 (6.8135)
SFr1.7905 (1.7945)
Y142.335 (142.05)
London:
DM2.0085 (2.0095)
FFr6.8000 (6.8025)
SFr1.7875 (1.7930)
Y141.95 (142.05)

GOLD
New York latest
Comex June
$364.3 (363.7)

STOCK INDICES
New York close
Dow Jones Ind. Av.
2,478.01 (-24.01)
S&P Comp
318.32 (321.98)
London:
FT-SE 100
2,151.6 (-17.4)
World:
142.37 (Mon)
Tokyo
Nikkei Ave
33,816.61 (-251.25)
Frankfurt:
Commerzbank
1,681.3 (-3.3)

OIL
Brent 15-day (Argus)
$17.725 (+0.425) (June)
West Tex Crude
$19.105 (July)

EUROPEAN NEWS

Swedish parties agree on economic package

By Robert Taylor in Stockholm

THE final package of financial measures aimed to cool down the overheated Swedish economy was published yesterday, after agreement was reached between the ruling Social Democrats and the small Centre Party which should ensure its passage through Parliament before the summer recess.

It will involve the removal of an estimated SKr18bn (£1.7bn) from the economy. Measures include:

● Compulsory savings for individuals and companies of 3 per cent of their taxes from 1 September this year until the end of 1990. An interest rate of 7 per cent will apply for those who save less than SKr3,000 and 3.5 per cent for those who are compelled to save more than SKr3,000. This makes it more favourable for the lower paid.

● An environment tax of 1.5 per cent on companies to last from 1 September this year until 31 December 1990.

● A 10 per cent duty to be charged on all investments on new building in the Stockholm-Uppsala area, which is extremely overheated.

● Increased taxes on oil and electricity to encourage energy saving.

The agreed measures bear little resemblance to the proposals revealed just over three weeks ago by Sweden's finance minister Mr Kjell-Olof Feldt to cool the economy, which involved a tax on employment and a rise of 2 per cent in indirect taxation. But his proposals failed to win majority support in Parliament, where the ruling Social Democrats lack an overall majority, and they aroused ferocious opposition from trade unions.

The resulting crisis aroused speculation about an early general election, but the Centre Party broke with its old allies, the Liberals and the Moderates, in accepting some responsibility to formulate a set of restraint proposals that were acceptable to it.

Yesterday Mr Feldt was philosophical about the outcome, although he is known to be sceptical on whether the proposed strategy will succeed in restraining inflationary pressures in the economy, suffering from wage demands fuelled by low unemployment and a labour shortage.

Correction

Yesterday's account of a meeting in Brussels of European Community education ministers incorrectly referred, in some editions of the FT, to a meeting of health ministers. It also named the British education secretary as Mr Kenneth Clark, not Mr Kenneth Baker.

E Germany looks cautiously to West

By Leslie Colitt in Berlin

HIGH-RANKING East German Communist officials have signalled plans to expand economic ties with West Germany while keeping a tight lid on political reforms.

Senior economic and political advisers to the party's central committee said East Germany favoured "joint venture-like agreements" with West Germany in particular. "The climate for expanding such contacts between our two countries is extremely good," an official said.

Flagging trade with the Soviet Union and Eastern Europe was to be put on a more commercial basis, he said.

The East Germans were addressing an international conference on East Germany in the 1990s which was held in both East and West Berlin by the Aspen Institute. The officials stressed that East Germany needed above all political stability and not Hungarian or Polish-style political or economic reforms.

"The Soviet Union cannot afford to have a Tbilisi here," one Central Committee adviser said sharply, referring to the nationalist unrest in the capital of Soviet Georgia.

East German officials have warned that forcing Soviet-style glasnost on East Germany would unleash uncontrollable demands.

A member of the East German delegation, however, acknowledged his country's dilemma by noting that East Germany could achieve stability only by giving democracy and human rights a higher priority. Voluntary identification by citizens with the state was essential, he said.

Tempers flared at the conference over East Germany's human rights policies. In a discussion held in the East German Foreign Ministry, Mr Wolfgang Schenk, a former Green deputy in the West Berlin legislature, said East German border guards continued to open fire on would-be escapers despite East-West agreements on human rights.

Dr Herbert Krolikowski, East Germany's First Deputy Foreign Minister, replied that "measures were taken at the border only in an extreme situation" and that nothing happened to persons who did not deliberately "violate" the frontier.

The East-West German verbal clashes surprised even Soviet and Polish participants at the conference. A Polish Communist MP reminded East German officials that they would soon have to get used to opposition voices in the Polish Parliament which "may not appeal to you."

The East German participants included Professor Otto Reinhold, head of the central committee's Academy of Social Sciences; Mr Rolf Reissig, deputy head; and Mr Helmut Koziolek, director of the party's Central Institute of Economics. Mr Ryszard Wojna, deputy head of the Communist Party in the Polish Parliament, also took part.

Committee muddies waters round air crash

By John Wyles in Rome

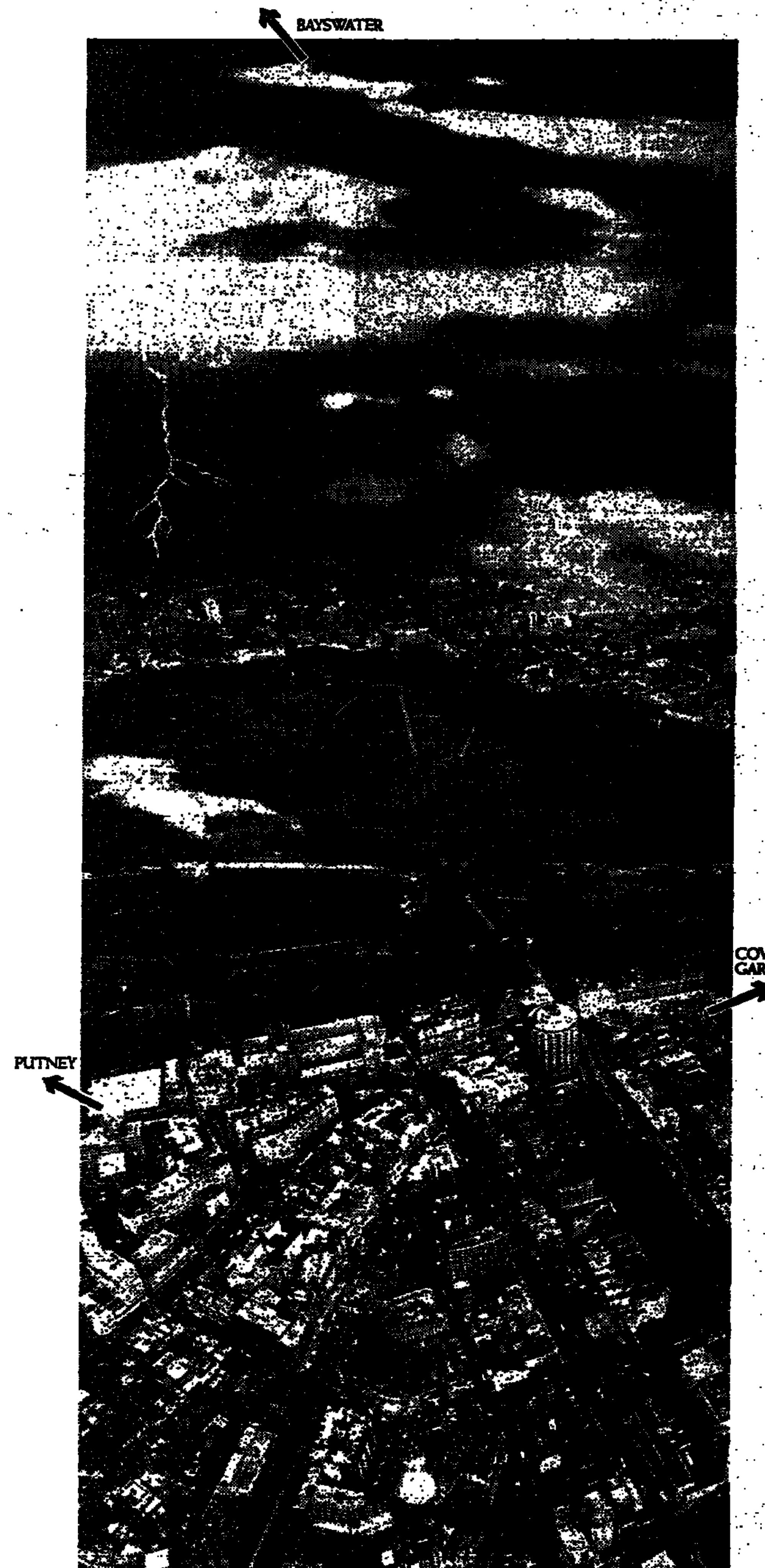
"Ustica, it's now an endless mystery," pronounced one Italian newspaper headline yesterday, on the results of the latest committee of inquiry into the loss of an Itavia DC9 with 81 lives in sea north of Sicily in June 1980.

The committee's report, released by the prime minister's office, not only failed to back any explanation of why the aircraft crashed without warning, but it also cast doubt on the conclusions of other investigators that it had been hit by a missile.

Set up by the government last November when accusations were flying that an Italian or Nato military aircraft might have fired the missile, the committee exonerates virtually all previous suspects, including the Libyan air force.

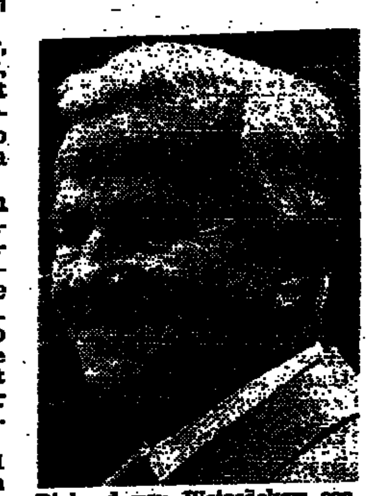
Political reaction was suitably caustic, with a cross-party demand that the Italian parliament now set up its own inquiry. Most attention has focused on the report's conclusion that the possibility of a bomb explosion on board the aircraft should not be ruled out, despite the fact that technical analysis has pointed to an explosion outside the DC9 as the cause of its loss.

While ruling out equipment or structural failure, the government-sponsored inquiry suggests that the missile theory is weakened by the absence of any activity in the area by by either Italian or allied military forces. It also came across no evidence to support "insinuations" that radar evidence from stations at Marsala and Licola had been doctored, while the fact that some relevant radar tapes have been destroyed could be explained by the normal "thinning" of archives.



Weizsäcker wins second term as Bonn president

By David Goodhart in Bonn



Richard von Weizsäcker: second highest percentage of votes on re'election

MR Richard von Weizsäcker, the West German President, has become the third President since the Republic was established — exactly 40 years ago yesterday — to be elected to a second term.

His election yesterday, in Bonn's uninspiring Beethovenhalle, was marked by the combination of solemnity and drabness that is typical of state occasions in West Germany. Tense it was not; there were no other candidates, and all the main political parties, except the Greens, had endorsed Mr von Weizsäcker's second five-year stint.

However, by winning 881 votes out of a possible 1,022 in the Federal Assembly (Bundesversammlung), he achieved the second highest percentage of the vote in the nine presidential elections since 1949. The highest — 88.2 per cent — was achieved by Mr Theodor Heuss on his re-election in 1954.

Mr von Weizsäcker is increasingly regarded as the most impressive president since Mr Heuss. Possibly helped by the poor public image of Mr Helmut Kohl, the Chancellor, he is also said to have elevated the office itself — which has few formal powers.

The dashing 69-year-old liberal Christian Democrat, whose father was the senior civil servant in the Foreign Office during the war, is thought to have struck exactly the right note over the German past, and through his countless foreign trips has been in the forefront of improving West Germany's image in the world.

While appearing increasingly above party, he has not let the office stifle his own views. He recently spoke out for the West German government position in the Nato dispute and earlier this year controversially pardoned a former left-wing terrorist. Partly because of that pardon, some right-wing Christian Social Union members did not vote for him yesterday.

The ceremony was marked by two enduring features of the new Germany: division and federalism. Mrs Rita Süssmuth, president of the Bundestag, regretted that the ceremony could not take place in Berlin, and greeted German citizens on both sides of the border.

The federalism was evident in the make-up of the Federal Assembly, which meets only once every five years for the purpose of electing the president, and consists of all members of the Bundestag plus an equal number of people nominated by the 11 states (including West Berlin).

For the first time the states nominated some figures from show business and sport. Two actors from Munich missed their flight to Bonn and footballer Pierre Littbarski seemed only concerned about a training session with FC Cologne, who face a top-of-the-table battle with FC Bayern tomorrow.

The magnetism of the East, Page 24

Soviet reformers fight for status of new Congress

By Quentin Peel in Moscow

REFORMERS in the Soviet Communist Party were fighting a rearguard action yesterday to ensure that the Congress of People's Deputies, the country's new super-parliament, is given a leading role in deciding future legislation.

They fear that the 2,250-member body, elected in the most open elections in decades, will be relegated to being a rubber stamp for the decisions of the subsidiary Supreme Soviet. That body may be dominated by traditional members of the party and state bureaucracy.

However, they appeared to have won a small victory yesterday, when the presidium of the outgoing Supreme Soviet, chaired by Mr Mikhail Gorbachev, agreed to submit proposals both to the Congress and to the Supreme Soviet.

Only the barest details emerged yesterday of a crucial procedural debate going on in the Kremlin, following a stormy plenum of the Communist Party central committee on Monday.

At the same time, the struggle between radical reformers and the conservatives in the party continued on a second front, with a furious new denial from Mr Yegor Ligachev, the leading conservative in the Politburo, of any suspicion of corruption.

His statement was published in Pravda, the leading party newspaper, yesterday, denouncing such suggestions as an attack not only on himself but on the entire party leadership.

The butt of his anger was Mr Nikolai Ivanov, a crime investigator from the state prosecutor's office, who has just won a landslide election victory in the city of Leningrad. He said Mr Ligachev had been mentioned in anti-corruption investigations.

Now Mr Ivanov and his partner, Mr Telman Gdlyan, who together uncovered a network of corrupt party officials in Uzbekistan, are themselves under investigation for allegedly illegally harassing and interrogating suspects.

Mr Gorbachev presided over two crucial meetings yesterday, including a "party group" of Congress deputies, clearly intended to co-ordinate strategy for the session opening on Thursday.

The only detail to emerge came from the meeting of the Supreme Soviet presidium. According to Tass news agency, the session was to "prepare meetings of the forthcoming congress...as well as submitting...decrees...for endorsement by a Supreme Soviet to be elected by the Congress", the implication being that only the Supreme Soviet would consider legislation.

At the end of the meeting, however, Tass said it had agreed to "submit to the Congress, and to the new Supreme Soviet, a number of documents drawn up with account taken of suggestions from people's deputies."

Fifteen die as Kurdish guerrillas fight Turks

TWO individual clashes reported yesterday between security forces and Kurdish separatist guerrillas served as an ample reminder that the Turkish government still has a serious insurgency problem in the south-east of the country, Jim Bodgener reports from Ankara.

The total death toll from the incidents was 15 — three soldiers and at least 12 terrorists — the highest for a long time.

Since 1984, the security forces and partisans of the Marxist Kurdish Workers' Party have been waging a mini-war in the region; spring is traditionally their most active time.

The first firefight on Monday night was in mountains near the town of Eruhin Siirt province, and killed 12 members of a guerrilla band and two soldiers.

The second was not far distant near Sirnak in the same province, and was still continuing last night, having already claimed the life of a captain. However, yesterday there did not appear to be any direct link between the two skirmishes.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Number One Southwark Bridge, London SE1 9HL.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage and at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Financial Times (Scandinavia) Ltd, Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (01) 13 44 41. Fax (01) 935335.

EUROPEAN NEWS

Public debate in Tokyo on raising discount rate

By Ian Rodger in Tokyo

A SURPRISINGLY public row is raging among Japanese government ministers and officials over whether the official discount rate, currently 2.5 per cent, should be raised in the next few days.

The row comes against the background of renewed turmoil in the world's foreign exchange markets. Yesterday, the dollar jumped to Y141.95 on the Tokyo market, Y1.5 higher than Monday's close. The fact that officials are arguing publicly may also be a reflection of the present lack of political direction in the country because of the government's preoccupation with the Recruit scandal.

The sharp and unexpected rise of the dollar in the past few days has added to growing concern in many quarters about inflation breaking out in the country. However, some government officials are more worried about Japan's bloated trade surpluses and fear rising interest rates may depress the economy and thus reduce imports.

The Bank of Japan, which has the primary responsibility for inflation, has been signalling fairly clearly its eagerness to raise interest rates in recent days. Mr Satoshi Sumita, governor of the central bank, said


Murayama: warning

in Sapporo yesterday that if an increase was not made in a timely way, the bank might later have to tighten credit rapidly, a move which could destabilise international monetary and capital markets.

He and other Bank of Japan officials have been arguing that the dollar's rise is undermining Japan's efforts to maintain price stability because it pushes up the cost of imports.

On the other side of the argument, the Ministry of International Trade and Industry (Miti) and the Economic Planning Agency have been arguing against a discount rate increase. Miti is particularly sensitive about Japan's trade relations, and does not want to see any action that might dampen the domestic economy or import growth. Mr Hiroshi Mitsuzuka, the Miti minister, told reporters yesterday that any discount rate rise could slow the expansion of domestic demand for imports, and that in turn would have an adverse effect on the yen-dollar rate.

The EPA, in a monthly report on the economy published yesterday, said flatly that prices remained stable and there was no need for an early discount rate rise.

Meanwhile, the ministry of finance, which has the largest say in formulating economic policy, is still uncommitted. Mr Tatsuo Murayama, the Finance Minister, warned yesterday against increasing the discount rate now in response to exchange rate movements. MoF officials believe that even if the rate were raised, it might not stop the dollar's rise.

They say that if the discount rate is to be raised, it should be done only in response to trends in the domestic economy. They are waiting for wholesale and retail price index figures this week before forming a view.

Bundesbank medicine fails to cure

D-Mark still pale after the usual prescription, writes Haig Simonian

LIKE a trusted old family doctor visiting a normally healthy patient and finding the usual medicine no longer works, West Germany's Bundesbank has been coming across as uncharacteristically fumbling in the world's currency markets.

After all, the 0.5 percentage point rise in key German interest rates introduced last month was the well-tried medicine to perk up the lacklustre D-Mark, which has not only been looking depressed against the dollar but, to a lesser extent, many of its other key trading currencies.

According to the tested formula, higher rates should have strengthened the currency and, most important, inoculated it against that most pernicious of German diseases, imported inflation.

The almost simultaneous announcement last month that the detested withholding tax, only introduced in January, is soon to go should have made the cure all the more certain. International investors have been cold-shouldering the D-Mark since the news of the unpopular tax first leaked out in October 1987.

That the D-Mark should have recovered instantaneously was not a foregone conclusion. But that it should have so singularly failed to react to the Bundesbank's medicine at all is one of the many conundrums in the foreign exchange markets at present and undoubtedly a potent factor behind the dollar's continued rise.

Coupled with the Bundesbank's conspicuous absence from the forex markets – in contrast with most of its G-7 counterparts – recent events have fostered the impression that it is in a dilemma and has lost confidence. The judgment is perplexing. For the D-Mark's case, if difficult, is hardly terminal.

Economic growth this year will not reach last year's surprisingly buoyant 3.4 per cent, but the 3 per cent level for 1989 now widely expected is hardly a poor showing. Meanwhile, the trade surplus looks set to rise even higher than the record DM128bn (£40bn) generated in 1988. Figures for the first quarter of the current year showed a 44 per cent rise to DM36bn, pointing to another record full year result of about DM140bn.

And developments on the monetary front are not bad. True, M3 money supply growth is still outside the Bundesbank's approximately 5 per cent target for 1989, but the rate of growth appears to be slowing. Figures for April showed growth of 6.2 per cent against the fourth quarter of last year, compared with 6.3 per cent in March and 6.7 per cent in February.

Only inflation presents a less certain picture. Some observers are already doubtful that the country will meet the Bundesbank's 3 per cent inflation forecast rate for the year, with talk already in some quarters of 4 per cent. But part of the rise in prices has been of the Government's own making following its decision to raise certain consumer taxes this year.

And some economists reckon that the demand for credit, which they argue is a prominent factor behind the rising inflation rate, has already peaked. Nipping the danger of higher inflation in the bud was the main intention behind the Bundesbank's surprise decision to raise interest rates last month.

In particular, its regional bosses – whose antennae are supposed to be most closely attuned to developments in the business sector – were concerned about companies becoming more inclined to accept, and pass on, price rises.

The head of one leading heavy engineering group faced a demand from his major steel supplier for a 7 per cent price rise this year, coupled with a compulsory 10 per cent volume increase. The resolute executive turned down the ultimatum, meaning that for the first time in many years, his group has begun a new financial year without having tied up its supplies in advance.

Other industrialists may have been less resolute. But ironically, the shock interest rate rise last month may have contributed, or even triggered, the present impression in the markets of impotence, or at least muddle, on the part of the Bundesbank.

Rather than being praised for having caught the market by surprise, as with the concerted intervention which squeezed dealers and restored the dollar's value at the end of 1987, the market has focused instead on the differences within the German central bank, which came to a head in the interest rate increase last month.

Hence the market perception that the bank has lost direction, perhaps having caught a dose of the same chronic decision-making malaise that has ruled in the Government for so long.

More important, the bank's refraining from intervention has sometimes been read outside Germany as a sign that its anti-inflationary credentials have been dented rather than just a reluctant admission that, with the dollar a one-way bet at present, heavily intervening is like throwing good money after bad.

Bonn wants EC to talk in German

By David Goodhart in Bonn

THE West German Government has begun a discreet campaign in Brussels to have the German language elevated to the status of third "working language" alongside French and English.

Mr Helmut Haussmann, the Bonn Economics Minister, has been leading the German initiative, which is, however, considered to have little chance of success in the medium term.

All nine EC languages are described as "official" but French and English are the working languages of the EC institutions and the languages in which all EC documents are printed. There is a delay, sometimes of several weeks, before the most important documents are than translated into all remaining languages. It is this delay which the Economics Ministry finds irksome.

The initiative is seen by some in Brussels as further evidence of Germany's renewed political and cultural self-confidence. But it will be a hard slog to convince officials to break with the long-established rule of thumb that English is acceptable as a second language to northern Europe and French to southern Europe.

US frustration at impotence on policy

By Peter Riddell, US Editor, in Washington

THE recent upsurge in the dollar has left policymakers in Washington frustrated about how little they can do to check the rise and concerned about the longer-term implications for any reduction in the US trade deficit.

Until late on Monday the administration was largely silent on the issue, having learnt that talk about currencies without action is almost invariably counter-productive.

But the pressure of the markets – plus a report of a change in US official attitudes away from international policy co-ordination towards a more free market approach – forced a public statement.

The report, in the New York Times, was strongly denied by the White House, which said the rising dollar was "a matter of concern" and reaffirmed its commitment to co-ordination among the Group of Seven industrial countries on policies to "promote the adjustment of external imbalances as well as co-operating in exchange markets".

Yet the evident impotence of co-ordinated efforts in face of market pressures has raised the issue of whether the US can take specific action itself. The administration view has in part been that the strength of the dollar reflects political as much as economic factors, with the US currency providing a safe investment haven at a time of international turmoil.

As Mr Nicholas Brady, the US Treasury Secretary, put it somewhat vividly, "You have a million Chinese rioting in the streets. You have Nato in an unsettled state of affairs. You have, in Japan, lack of clear definition of leadership really for the first time since the Second World War. So it doesn't surprise me that people pause for a moment and want to put their money in a country where the people have settled their leadership question."

As always in Washington there are, however, divisions of opinion. Some members of the administration believe it is now safe for the Fed to cut interest rates, to reduce upward pressure on the dollar.

The policymaking Federal Open Market Committee last week apparently reconfirmed the wait-and-see interest rate approach of the last three months. This means that monetary tightness should be maintained as long as there is uncertainty about the inflationary trend and the level of economic activity.

The political pressure for an interest rate cut is, however, likely to grow as part of a broader attempt to restore credibility to the policy co-ordination process.

Nato welcomes new Warsaw Pact figures

By Judy Dempsey in Vienna

NATO diplomats cautiously welcomed new Warsaw Pact figures presented yesterday to the negotiations on conventional forces in Europe (CFE) in Vienna.

However the proposals, which complement the Pact's recently released figures for overall alliance ceilings, were seen as less ambitious than Western suggestions made on March 6.

Yesterday's figures cover the maximum number of manpower in forces in a particular category that an individual country may hold, and the maximum number of weapons that members of each alliance may station outside their own territory.

The Pact proposed that conventional armed forces in any one state must not exceed 35-40 per cent of the overall level of the conventional armed forces in Europe. Nato had already suggested limits of 30 per cent in its March 6 proposals.

These talks aim at reducing the element of a surprise attack through the establishment of a secure and stable balance of conventional forces at lower levels from the Atlantic to the Urals.

Nato diplomats yesterday pointed out that the Soviet Union would still have almost half the total number of tanks in Europe even after it has unilaterally withdrawn, as promised, 10,000 tanks from Eastern Europe and agreement in Vienna has been reached along the lines now under discussion.

They add that at the moment no western country holds more than 6 per cent of all the main battle tanks. There are already indications that Nato is prepared to press the Warsaw Pact for lower sufficiency levels.

On the stationing of forces on foreign soil, there was a wide discrepancy between the Pact proposals and those of the West because of differences in the definition.

None the less, diplomats say that both sides can now get down to "the serious business of agreeing to counting rules, definitions and categories".

Take lead in talks on naval forces, Nato urged

By David White, Defence Correspondent

THE WEST should take the lead in maritime arms control and offer talks with the Soviet Union on sea-launched cruise missiles, a leading UK naval policy expert said yesterday.

Such a move would be designed to pre-empt a unilateral Soviet initiative aimed at undermining Nato's naval strength.

The call was made by Captain Richard Sharpe, editor of Jane's Fighting Ships, the 1989-90 edition of which was published yesterday.

Captain Sharpe, a "hawk" on East-West issues, said navies could not be exempted from the arms control process.

Nato, which regards the protection of Atlantic seaways as essential to its defence, has so far strongly resisted attempts to extend arms control talks to naval forces.

However, Captain Sharpe said Moscow could easily afford to make unilateral cuts in submarines and ships in the same way as it had done in armour and troops, and once more upstage Nato allies in public relations terms.

In return, the US might also be able to scrap some outdated vessels, but European navies were not in this position.


Reckitt &
Harpic
&
airwick
Stick up
&
&
ROBIN
&
airwick
MAGIC
MUSHROOM
&
FRESH
&
Cherry
Blossom
&
&
Senokot
Tablets
&
Deep
Fresh
&
VITAMINS
AC&D
&
JUNIOR
DISPROL
&
CARPET
FRESHENER
&
Scotchgard
&
Dettol
ANTISEPTIC
SOAP
&
NEW
&
HOME STYLE
Spaghetti
Bolognese
COOKING SAUCE
&
&
ROBINSONS
ORIGINAL
HIGH JUICE
ORANGE SQUASH
&
MANSION
&

sold in over 120, perhaps it's not surprising. Copies of the annual report can be obtained from The Secretary, Reckitt & Colman plc, One Burlington Lane, London W4 2RW.

Li and Zhao slug it out in China

Colina MacDougall in Peking says it would be premature to predict a winner

AS THE drama of mass uprising and political struggle unfolds in the Chinese capital, it is not easy to predict what the final act will bring.

Anyone remotely connected with the power structure is testing the wind by the minute to check which way to tack. The army, still poised on the outskirts of Peking ready for possible intervention, has had second thoughts about its role in suppressing unarmed demonstrators and could throw its weight either behind the government of Li Peng and its martial law declaration or the *student demonstrators*.

Any papering-over of political cracks after the extraordinary events of the past six weeks must be impossible. The compromise double act between Zhao Ziyang - the reform-minded party general secretary - and the conservative Li is out. The immediate options would appear to be either a Li or a Zhao leadership.

Deng Xiaoping, the architect of China's economic reforms and the country's political kingmaker, is the unknown factor in this equation. Who will he back and will his choice turn out to be acceptable?

Peking residents do not like him any more than Li Peng. "Xiaoping out! Li Peng out!" a huge troop of cyclists chanted as they rode in triumph round Tiananmen Square in the early dawn three days ago as the army, ordered in to clear the square, failed to show up.

Until now Deng, who has never evinced much enthusiasm for political reform, has sided with Li. But if the price of peace and privilege was to throw Li to the wolves and side with Zhao, he might well do it.

State President Yang Shangkun is believed to be an important source of power for Li Peng. As a retired general he has strong army connections and his younger brother has a senior army post. There are dozens of Yang relations sprinkled around the Chinese High Command. This has earned the army the nickname of the Yang Family Village.

Many liberal Chinese and most foreigners argue that a Yang-Li victory in the present crisis would be a severe blow to China. "They're like a new Gang of Four", said one bitterly. "Corruption pollutes the army because of them. The Yang children have always been close to Deng Xiaoping's family and they constantly exploit the connection".

On top of that what many see as their ignorance and incompetence could do untold damage. "They don't care about the outside world," he declared. "The reforms will be damaged, the intellectuals shelved and China will miss the development bus again."

"Because of Li, we shall lose Hong Kong, or at least the people that make it worth while", said another Chinese. "All our clever young people will emigrate. Hardly any come back from studying abroad as it is".

A Li regime could do considerable damage to foreign business and little to help China's already faltering economy. Many see him as an arrogant bungler who got where he is largely because he was adopted as a child by respected former Premier Zhou Enlai.

China is already suffering from the harsh clampdown on the economy imposed by Li and his economic aide, Vice-premier Yao Yilin last autumn. A fall in production, a rise in inflation and growing problems over cash to pay farmers for the crucial grain harvest have struck. Li and Yao, stuck in the 1950s with Stalinist central planning policies, have few solutions.

Many rich provinces on the east coast would groan to see the profits of recent years shrink or depart under a more egalitarian regime to prop up poorer regions. Incentives might be phased out, private business squashed.

With many having already tasted economic freedom, Li's strait-jacket would be resented, leading to growing resistance from the provinces. The fragmentation and warlordism which has so often plagued China in unsettled times might once again come to bedevil the world's most populous country.

Unlike most Chinese leaders Li is still only 58 and his leadership could therefore last a couple of decades.

For the economic and political health of China, Zhao would seem to be a better bet. Economic reform might take off again, though slowly, and a measure of political reform could help to pacify students and others depressed by the lack of political reform.

In the longer term the odds seem stacked against Zhao, even if he wins the present round. His visit to Tiananmen to see the students last week raised him in their estimation, but as yet there seem little evidence that he has the stature and political cunning necessary to stay on top in Peking.

Whoever emerges to grasp the reins of power it is certain that the country's leadership will face tremendous problems in re-establishing control after so many weeks of paralysis.

The party's image is worse than it has ever been, and the prevailing view - that party leaders run the country like their personal estates - has been displayed all over Peking on banners and posters along with the most cruel personal criticisms of Li and Deng.

If the winner was Zhao, the sense of purpose and patriotism that Pekingers have discovered in this test of wills, might at least be used to fuel a fresh drive towards a better society.

Students protestors sleep in Tiananem Square in front of the Gate of Heavenly Peace

Macao halted by march of 120,000 protesters

SOME 120,000 people filed into Macao's narrow streets yesterday to march through the Portugese colony in support of the pro-democracy movement in Peking, AP writes from Hong Kong.

Students, workers, teachers, civil servants, businessmen and native Portuguese joined the march, which paralysed the colony's traffic for two hours.

The marchers handed an open letter to the Macao branch of the Xinhua News Agency, China's unofficial representative in the colony, which is to revert to Chinese rule in 1999.

They urged Chinese Premier Li Peng to step down, protested against Peking's press restrictions and promised to support the students in Peking.

Meanwhile, marches continued for the fourth consecutive day in Hong Kong, the British colony scheduled to revert to Chinese rule in 1997.

About 8,000 technical institute students marched on Hong Kong Island while 2,000 students from the City Polytechnic of Hong Kong boycotted class and marched in downtown areas of the Kowloon peninsula.

'Emperor' Deng takes his time to consider options

By Peter Ellingsen in Peking

AS CHINA, in the midst of an historic people's power revolution, struggles to give birth to democracy, the man responsible for both the raising of the bamboo curtain and ordering in the troops, paramount leader Deng Xiaoping, mysteriously absented himself from Peking.

The 84-year-old patriarch with, up to now, absolute power over a fifth of the world, left the capital shortly after the declaration of martial law on Saturday and is now said to be in the central Chinese city of Wuhan.

Why the emperor should be fiddling in the provinces while Peking is burning with revolution is unclear, but many believe Deng is making a desperate effort to rally the army before his puppets in the government - and even he himself - are toppled.

Deng, who seized power from the notorious "gang of four" after the death of chairman Mao Zedong in the late 1970s, is the architect of China's 10-year-old open-door policy and, before last week, the country's undisputed king-maker.

That he, as chairman of the central military commission, should have to lobby generals to ensure his survival is an indication of the enormous gravity of the five-week-long student democracy campaign that has rocked the ruling Communist party and left the Chinese capital in the hands of demonstrators.

According to Chinese sources, he convened a meeting of major leaders of seven military area commands in Wuhan at the weekend to discuss the upheaval and to discover where the army stands.

Though commanders in Guangzhou and Lanzhou have assured Deng of their willingness to suppress the students, the Peking military command, the 38th division, and the 27th army, have reportedly refused to use force against the students and those supporting their stand.

So Deng, who is behind prime minister Li Peng's declaration of martial law and in favour of wielding the big stick, must now take into account the facts that he is so fond of promoting as a basis for judgment.

The plan might be an option in Tibet, isolated from world view and peopled by ethnic Tibetans, but when it comes to mowing down Han Chinese in the capital, Deng must take into account international opinion and his place in history.

The first says don't do it and the second was summed up by two highly respected retired army marshalls, Nie Rongzhen and Xu Xiangqian, who this week advised caution and promised the army would not attack students. As Xu, a close friend of Deng's told the supreme leader by telephone, "whoever opens fire at the students will be fired at, too."

As posters and cries in Peking this past week have clearly demonstrated, Deng and Li are hated by a majority of the protesters for their harsh line on the student campaign. Even Li's stepmother, Deng Yingchao, widow of the much loved former premier, Chou En-Lai, has reportedly said she will resign from the Communist Party if force is used and senior leaders, including Wan Li, chairman of the National Peoples' Congress, China's parliament, have stood up to Deng by talking of "patriotic students" instead of blindly adopting Deng's characterisation of counter-revolutionary conspirators.

All this has boosted the prospects of the liberal-minded party secretary, Zhao Ziyang, who is widely believed to be under house arrest following his failure to toe the line.

Zhao, the only senior figure with any credibility with protesters, has agreed to meet student demands for a dialogue leading to political reform, press freedom and a way of making the top leader accountable.

If a year, or even two months ago, someone had predicted such a statement from a top politician, no one would have believed it, but these are strange and exciting days for China, as the people force fairness on to their leaders.

Khomeini undergoes surgery, says Tehran

By Scheherazade Daneshkhu in London

AYATOLLAH Ruhollah Khomeini, Iran's spiritual leader, underwent an operation yesterday, apparently to halt internal bleeding, according to Tehran radio.

Alarm bells have been rung many times before on the state of the 86-year-old Ayatollah's health, but the radio announcement was the first official admission that he is ill. His son, Hojatoleslam Ahmad Khomeini, was quoted yesterday as saying on Iranian television that the Ayatollah was recovering well after the operation.

According to the Ayatollah's office, surgery was carried out to stop internal bleeding in the digestive tract. Last June, CBS news reported CIA sources as saying that Khomeini was dying of liver cancer and would live for only three months. An operation such as that carried out yesterday, if Khomeini had cancer, would indicate a life expectancy of around four to five months for a man of his age, according to medical evidence.

Certainly, in the past few years, Khomeini has seemed only a shadow of the man who was thrust into power by millions of Iranians in the tumultuous revolution which overthrew the Shah in 1979.

Ayatollah Khomeini has not been seen in public since February, when he received Mr Eduard Shevardnadze, the Soviet Foreign Minister, at his Tehran residence, although the past few months have seen a lot of political activity, much of it undertaken in his name.

In March, the man elected to succeed Ayatollah Khomeini, Ayatollah Montazeri, withdrew under pressure, raising speculation of an intense behind-the-scenes battle for the leadership. It now appears likely that the moves to depose Montazeri were given added impetus by the state of Khomeini's health, which may be even more serious than the radio reports suggest.

Ayatollah Khomeini's death would leave a gaping hole at the top of the Iranian political system. Official statements, as well as the Iranian press, have admitted the gap will be impossible to fill.

The main contenders for effective power are the Ayatollah's 42-year-old son, Hojatoleslam Ahmad Khomeini, and Hojatolesalm Hashemi-Rafsanjani, the speaker of the Iranian parliament and acting commander-in-chief.

Neither, however, has the rank suitable for the post of "supreme religious leader" and the constitution provides for a 3-5 man leadership council, should no one be up to the task. However, the Government is already besieged by a plethora of overlapping executive and administrative councils, which, far from solving the deadlock in government, have served to fuel economic and legislative paralysis.

Moreover, in last Friday's prayers, President Ali Khamenei expressed dissatisfaction with bodies made up of more than one member. "Two individuals will not do," he said. "There must be a single authority with sufficient powers."

Ahmad Khomeini, who has been identified with the fundamentalists in government, has no official position but his access to Khomeini through his role as his father's private secretary places him in a potentially powerful position. He made his first public statement in public just a week ago when he wrote to Ayatollah Montazeri outlining the reasons for his downfall and giving him advice for the future.

Ahmad Khomeini and Rafsanjani are popularly considered to be rivals. However, though they disagree on some matters, notably foreign policy, the executive reform being undertaken in the country has been very much at Rafsanjani's behest.

The old men and the game they play for the prizes of raw power

By Steven Butler

THE sudden return to China of Wan Li, the 73-year-old chairman of China's National People's Congress, after cutting short his visit to the US is more than enough to set hearts pounding for old China watchers. Peking is beginning to resemble the revival of an old play in which an ancient cast of characters comes tottering on stage for one last hurrah.

Sheer statistical probability means that by next time around Pekingologists will have to learn a new set of characters but today the old men are still powerful and the rules of the game, when push comes to shove, also have probably changed little.

It is a game in which formal positions in the government and the communist party are less important in raw power terms than who you know and who you can depend on. It is a game of factions, of shifting coalitions, in which regional army units can sometimes play a crucial role, and when the crunch comes it is a time for calling in favours.

Wan is an old revolutionary guerrilla leader who was closely associated with Liu Shao-qi, the communist leader who was the principal villain of the Cultural Revolution (and posthumously rehabilitated in 1980). Wan was branded a "bourgeois reactionary" in 1966 and dropped out of sight for five years.

His political fortunes were subsequently associated with the rise and temporary fall of Deng Xiaoping, but Wan played a critical role after Deng's emergence as architect of a new reforming China in 1979 – serving as Agriculture Minister and deputy Prime Minister, under Zhao Ziyang, during China's agricultural reforms. As such he was, unlike Li Peng, the Prime Minister, part of a group of leaders who helped to make economic reform a reality.

It is therefore not surprising that he is returning to Peking to throw his weight behind Zhao Ziyang and against the Prime Minister – and behind continuation of the reform programme, although this has undoubtedly become a secondary issue after sheer political survival.

Li Peng is now understood to have received the backing of Wang Zhen, an ancient revolutionary (born 1908) whose credentials are so impeccable that he came through the Cultural Revolution unscathed. He "retired" in 1985. Also lining up behind Li is Bo Yi-bo, a well known octagenarian political hard liner.

In the all-out struggle now under way China's leaders will be scrambling to use all means at their disposal to undermine their opponents. Yesterday's New China News Agency despatch, which for the first time reported that students were calling for the downfall of Li Peng, would in ordinary times be a signal that Li had definitely fallen from grace, and probably power. Equally possible in today's China, however, is that control over the official news agency has fallen to Li's opponents, and that in fact the jury on Li's future is still out.

Deng Xiaoping's early flight to Wuhan to meet with regional army commanders reveals the hand of a master of the art, because in the end Deng knows that no one can govern China long without support from the military.

Although the Chinese revolution has been mythologised as a victory by a peasant guerrilla force, in fact the Red Army, as it was known then, came to most parts of China as a conquering force and set up garrisons in strategic parts of the country. With revolutionary power growing out of the barrel of a gun, to paraphrase Mao Zedong, revolutionary government was difficult to distinguish from military power in the early years.

And with Mao's theories of a people's war governing military strategy for so many years, troops were deployed broadly throughout the country, rather than concentrated at border posts, and given territorial responsibility. Commanders were periodically rotated to prevent regional loyalties from becoming too imbedded.

During the Cultural Revolution this came in extremely handy, as Mao was generally able to call on the loyalty of local commanders to support his radical factions against the opposition. When it was the student Red Guards who needed to be put down, the troops also came in handy. Wuhan was the scene of bloody fighting in the Cultural Revolution, amid a complex struggle for military support among factions. However it took more than a decade to pry the People's Liberation Army out of schools and factories where they had taken command, and sometimes residence.

This was a painful experience for the Army which emerged bloated, old fashioned, and embarrassed when it took a severe beating at the hands of the more modern Vietnamese forces in 1979 when it invaded to "teach Vietnam a lesson". The army is still nursing those wounds, and smarting under a programme that has seen cuts in the size of the army and its budget.

Perhaps as significant as the army's failure to move decisively to back martial law in Peking this week, however, it is reluctance so far to intervene directly and to dump Li Peng. This is surely because the army leadership is just as divided as the politicians. As long as this situation persists, the outcome of the current struggle will hang in the balance. Army commanders will be men on the chessboard for all the politicians.

Commander says Gurkha cuts may be unnecessary

By Michael Marray in Hong Kong

MAJOR GENERAL Garry Johnson, commander of the Brigade of Gurkhas, yesterday said he hoped the proposed cutback of the brigade from 8,000 men to 4,000 might be unnecessary. He gave a cautious welcome to an announcement on Monday by Mr George Younger, the British Defence Secretary, on the future of the Gurkhas.

Gen Johnson said in Hong Kong that he expected future manpower shortages in the British army might eventually make the cut unnecessary. "The 4,000 figure to me is a baseline," he said, adding that he was pleased to see the basic brigade structure left in place by the review.

He noted that no timetable had been fixed for force reductions, and that no change in current deployment was planned before the withdrawal of a Hong Kong battalion, in 1992 at the earliest.

Most Gurkhas serve in Hong Kong as part of the 48 Gurkha Infantry Brigade, the principal army formation in the territory. The scheduled 1997 handover of sovereignty to China has cast a shadow over the future role for the Nepalese units within the British army.

Mr Younger said in his House of Commons statement, that the reductions would take several years

Roh link to funds probe

By Maggie Ford in Seoul

SOUTH KOREAN opposition leaders have asked the Government to reveal the truth about a newspaper report linking president Roh Tae Woo with abuse of political funds by his predecessor, Chun Doo Hwan. The demand follows last week's agreement between the opposition and the ruling party over the terms of Chun's testimony in the National Assembly.

The former leader will be asked to disclose the facts about corruption, brutality and abuse of power during his regime. The article, published anonymously in a political monthly magazine, claims that Chun contributed a large sum to Roh's presidential election campaign in 1987 and that Roh's declaration of political reforms in June that year was really the work of the then president.

Observers believe the article was based on statements by hardliners who are determined to avoid any further investigations into the last regime.

A number of senior members of the ruling Democratic Justice Party have received letters warning them to stop harassing those involved in the previous government.

Peres vows to move on banks

By Hugh Carnegy in Jerusalem

MR SHIMON PERES, Israel's Finance Minister, said yesterday he would press on with measures to strip controlling shareholders of the country's banks of special voting rights, clearing the way for the sale of the Government's majority holdings in the banks.

He said he was prepared to offer the existing owners "small compensation" in return for agreeing to equalisation of voting rights equivalent to 2 or 3 per cent of equity. But if the banks did not reach agreement within 30 days he would enforce share equalisation by legislation.

He ruled out a proposal from within his own ministry to offer the existing controllers first refusal in a subsequent sale of the government holdings, leaving them open to competition if they want enlarged equity.

Mr Peres, Labour Party leader, stressed that the Government did not want to nationalise the banks, in which it acquired majority, but non-voting, stakes after bank shares collapsed in 1983. It plans to sell the banks one by one to the private sector.

Officials said the Government would avoid nationalisation by delaying implementation of equalisation of voting rights in each case until a sale had been concluded.

Egypt launches diplomatic attack on Syria

By Victor Mallet in Casablanca

EGYPT wasted no time yesterday in reasserting itself in Arab diplomacy after being readmitted to the Arab League at summit in Morocco.

With the backing of Iraq, Jordan and the Palestine Liberation Organisation, Mr Hosni Mubarak, the Egyptian President, immediately embarked on a diplomatic offensive against Syria's hard line Middle East policies and the presence of some 35,000 Syrian troops in Lebanon.

Mr Safwat Sharif, the Egyptian Information Minister, quoted Mr Mubarak as calling for the withdrawal of Israeli and Syrian troops from Lebanon. President Saddam Hussein of Iraq, who supports Lebanese Christian forces fighting the Syrians and their Moslem allies, is also pressing for a Syrian withdrawal. He is anxious to humiliate his old enemy President Hafez Al-Assad of Syria.

President Mubarak was quick to put behind him Egypt's ten years of isolation in the Arab world since his predecessor, Mr Anwar Sadat, signed the peace treaty with Israel in 1979. He plunged immediately into the elaborate intrigues of Arab in-fighting .

At a dinner for heads of state on Monday night hosted by King Hassan of Morocco, some Arab leaders are said to have agreed to push for a Syrian withdrawal and to try to replace the Syrian troops with a joint Arab peacekeeping force. Significantly the hard-line leaders of Libya and Syria, who arrived only yesterday, were not present at the dinner. Also absent for health reasons was King Fahd of Saudi Arabia, who is known to be anxious about the rise of Iraq after last year's ceasefire in the Gulf War with Iran, and is therefore said to be giving Syria a measure of support.

Syrian forces technically have an Arab League mandate to be in Lebanon. They were there as first of an "Arab Deterrent Force" following the outbreak of the civil war in the mid-1970s, but the other token Arab unit in the force subsequently left, leaving Syria as the dominant military power.

It is thought that Syrian agreement to Egypt's presence at the summit was given in exchange for promises of mild resolutions on Lebanon, but it remains to be seen if this deal can survive the strain of the rivalry between Syria on the one hand and Iraq, Egypt and the PLO on the other.

Mr Farouq al-Sharaa, the Syrian Foreign Minister, this week accused Mr Yassir Arafat, the PLO leader, of weakening the Arab stand in the Arab-Israeli conflict. Mr Esmat Abdel Meguid, the Egyptian Foreign Minister, in turn told Syria to stop "obstructing Mr Arafat's diplomatic offensive.

Thatcher plans meeting with S African party leader

By Michael Holman

MRS Margaret Thatcher is planning to meet Mr F.W. de Klerk, leader of South Africa's ruling National Party and its probable next state president.

The talks, scheduled for late June or early July, reflect the British Prime Minister's view that reform in South Africa is best brought about by contact rather than isolation.

The expulsion from Britain earlier this month of three South African diplomats following the exposure of links between Protestant extremists in Northern Ireland and South Africa's state-controlled arms industry will not, it seems, be allowed to stand in the way of this policy.

Mrs Thatcher, who met President P.W. Botha at Chequers in June 1984, stressed the value of contact with leading South African politicians in the course of her visit to Africa in March this year.

There is a "new group at the top" in South Africa who "are willing to take the necessary steps" when Mr Botha steps down, she said during the tour.

Mrs Thatcher and her advisers see the emergence of Mr de Klerk as the near-certain successor to President Botha, who retires soon after South Africa's general election on September 6, as an encouraging development. But she has ruled out any visit to South Africa until Mr Nelson Mandela, the leader of the African National Congress, is freed.

The proposed meeting with Mr de Klerk would take place at Chequers, the British Prime Minister's country residence, rather than Downing Street, in order to avoid anti-apartheid demonstrators.

Mr de Klerk, who is also expected to visit Washington this summer, set the tone of the National Party's election campaign in a speech earlier this month.

Attacking the extreme right Conservative Party, he warned that "excluding the majority from full participation, as the Conservative Party wants to do, is unjust and will inevitably lead to conflict and finally to revolution."

But he also criticised the liberal Democratic Party, describing its support for one man one vote on common voters' rolls as "totally unacceptable" because it "will inevitably lead to majority rule and domination." The National Party's own proposals remain vague, however

Afghan rebels urged to join peace process

THE Afghan government yesterday urged rebel commanders of the Mujahideen guerrilla alliance to join the peace process in Afghanistan and said military victory was beyond reach, Reuter reports from Kabul.

President Najibullah said rebel leaders had made a mistake in rejecting his peace proposals and accused Pakistan of fanning the flames of war in Afghanistan.

The Government put on display, seen as an effort to split the rebels, four guerrilla commanders who said they had opted to end the decade-long war and press for peace following February's Soviet troop withdrawal.

The four said at a news conference that they commanded a total of 6,200 rebels.

"We don't want our country to be cut to pieces," one said.

WORLD TRADE NEWS

Moscow signs innovative $330m trade finance loan

By Peter Montagnon, World Trade Editor

AN INNOVATIVE $330m trade finance loan was signed by the Soviet Union in London yesterday, despite the spying row which is threatening to disrupt Anglo-Soviet relations.

The deal has been in preparation for several months and may be a special case which offers no indication as to how the course of commercial relations between the two countries may be affected by the spying allegations.

It is intended to finance modernisation of the polyethylene plant at Buddyenovsk in the South Russian province of Stavropol and is related to a project regarded as integral to economic restructuring. Part of the work will also be carried out by Linde of West Germany, which is not involved in the spying row.

The loan, assembled by Morgan Grenfell, the UK merchant bank, is unusual in that lending banks will depend for repayment on the commercial success of the project.

The loan will be made available to Asetco, a joint venture between John Brown Engineers, Morgan Grenfell, Moscow Narodny Bank, two Soviet chemical enterprises, and Giproplast, the Soviet design institute, which was incorporated in the Channel Islands last year to handle Soviet projects.

Lending banks are taking the risk that the proceeds from this will be sufficient to meet debt service needs, but they will be indemnified by the Soviet government if the plant fails to meet its delivery schedule.

Part of the loan, amounting to around $80m, will be backed by the Export Credits Guarantee Department under its new rules for private sector project finance.

Failed by Comecon, Hungary looks West

Tougher market, but does wonders for your competitiveness, writes Leslie Colitt

A HUNGARIAN proposal to shift the nation's trade away from Comecon to the West seemed certain to produce a sharp reaction from the Soviet Union, its largest trading partner.

But so enormous are the problems of the East bloc trading group that even this prospect caused scarcely a ripple at its headquarters in Moscow.

Officials in Budapest openly accuse Comecon of impeding Hungary's economic reforms. Hungary, they note, is unable to wait until Comecon reforms its own barter-like trade system. It cannot continue repaying $18bn in hard currency debts while conducting 50 per cent of its trade with Comecon.

The proposal to shift more Hungarian trade to the West was made by a government committee under Mr Rezsö Nyers, the father of Hungary's economic reforms and minister of state responsible for the economy. But implementing such a shift would take time. Meanwhile, it was suggested that Hungary's trade with the Soviet Union be placed on a "hard currency accounting basis", an idea taken up by Mr Karoly Grosz, the Hungarian Party leader, at his talks with Mr Mikhail Gorbachev last March. Mr Grosz said the Soviet leader had agreed the two sides should try it out in their bilateral trade.

In the past Hungary sold meat and other "hard" goods – products which could be sold to the West – to Moscow for dollars. Last year Hungary had a surplus of $183m in this hard currency trade with the Soviet Union.

Mr Peter Medgyessy, the deputy Prime Minister, noted that trading in hard currency could be expanded to those Comecon members which were willing to take the risk. Mr Nyers even held out the prospect of a "socialist Benelux" gradually coming into being as a sub-trading group within Comecon. This would include Hungary, Czechoslovakia, Poland and Yugoslavia.

Hungarian experts calculated that a radical changeover to hard currency in Hungarian-Soviet trade would at first entail a loss for Hungary of 1.5bn forints ($23.5m) annually. Mr Medgyessy, however, said that in the long run Hungary would gain by exposing itself to competition from Western companies in the Soviet market.

Unlike some Hungarian politicians who even spoke of joining the European Community, he said Hungary had no "realistic chance" of deeper involvement there. Instead Budapest should seek to establish good trading relations with the EC and gain the benefits of "being close to the fire".

Estimates differ on how Hungarian companies would fare if they tried to sell appreciably more products on Western markets. The Institute for Economic and Market Research in Budapest estimated that only one in three Hungarian companies would survive while the Industry Ministry suggested that at the most one quarter would emerge intact.

HUNGARY'S TRADE

	Total ($bn)	Com	%
1983	8.7	3.9	45.3
1984	8.6	3.8	43.8
1985	8.5	4.1	47.8
1986	9.2	4.5	48.7
1987†	6.4	3.1	48.2
1988†	6.6	2.8	42.7

†Jan-Sept

Source: IMF

But the Hungarians are unanimous in noting that Comecon's most recent goal of creating a common market is yet another illusion. Hungary's former representative to Comecon, Mr Jozsef Marjai, bluntly told an executive committee meeting of Comecon last year that "non-existent markets could not be unified". Mr Nyers said a unified Comecon market could only be created if the national economies of member-states were reformed.

A fall of 9 per cent this year – for the second year in succession – in Hungarian-Soviet trade to 9bn roubles ($13.3bn) has led to considerable difficulties for a number of large Hungarian companies, especially in mechanical engineering.

Soviet exports to Hungary of oil and gas were affected by the drop in energy prices (calculated in Comecon, like all products, on a sliding five-year average) which meant that Hungary was recording surpluses in its balance of trade with the Soviet Union. Unlike in the West, however, a surplus in Comecon trade is undesirable as the surplus cannot be used in trade with another Comecon country and thus amounts to an interest-free loan.

The basic problem, as Dr Gerd Biro of the Hungarian Economic Chamber noted, is that Comecon is a "seller's market" which means that its members are interested in boosting imports and not exports.

The structure of Hungary's trade with its Comecon partners is such that a considerable part of the manufactured goods require costly hard currency inputs from the West as well as state subsidies. The withdrawal of some of these subsidies to trim the huge Hungarian budget deficit has led to mounting losses on the part of large Hungarian companies.

Ikarus, the leading bus manufacturer, which exports 80 per cent of its production to the Soviet Union and East Germany, suffered a heavy loss on these sales because of the widening gap between inflationary costs of production in Hungary and the price of the buses.

Mr Marton Tardos, a prominent Hungarian economist, noted that although Budapest wants a freer system of trade with Moscow the risks are large. Hungary has a significant "short-run gain" from trading with the Soviet Union as it can sell goods to Moscow which are not competitive in the West.

The predicament, therefore, is that if Hungarian companies cannot produce internationally competitive goods, they are better off trading with the Soviet Union and other Comecon partners. But as long as Hungarian industry remains largely linked with the Comecon market it will be unable to compete in the West.

Asea in Japanese robot deal

Robert Taylor in Stockholm

ASEA BROWN BOVERI, the Swedish-Swiss electrical engineering group, has signed a co-operation agreement through its Japanese subsidiary Gadelius with Matsushita Electrical Industrial Co Ltd (MEI), one of the world's largest consumer electronics manufacturers, for the sale and distribution of robots in the Japanese market.

Announcing the co-operative venture yesterday Mr Bjorn Weichbrodt, ABB robotic's group president said that the company regarded it as "an excellent development of our presence in Japan". ABB hope to double their present robot market share in Japan of around 3 per cent. The president of Gadelius, Mr Goran Holmquist said that the agreement was a "natural step towards the further strengthening of the company's position in Japan".

Mr Sukeji Itoh, MEI's director of corporate production engineering believes that it marks the "beginning of further co-operations between the two companies in other areas of business as well as factory automation."

At present ABB is the biggest foreign robot importer into Japan and the agreement with MEI should strengthen its toehold in a highly competitive and difficult market.

Brussels launches inquiry into anti-dumping duties

By William Dawkins in Brussels

THE European Commission yesterday launched an inquiry into whether to increase anti-dumping duties of up to 45 per cent levied on heavy duty roller bearings imported from Japan.

The move was triggered by a complaint from the Federation of European Bearing Manufacturers' Associations (Febma), representing the EC's seven main producers of tapered roller bearings, based in West Germany, Spain, Italy, France and Britain. Tapered bearings are used in turning mechanisms that carry too much strain for normal ball bearings.

Febma had produced enough evidence of artificial under-pricing to justify a new look at dumping duties imposed on imported Japanese tapered roller bearings in 1985, said the Brussels authorities. The Commission has asked all involved to comment within 30 days so it can produce a ruling, expected to take several months.

Japan sold Ecu35.8m ($36.5m) of tapered bearings to the Community in 1988, up from Ecu27m in 1987; roughly a third of all EC imports. European producers allege that the dumping margin – the gap between Japanese and EC prices – has widened significantly since duties were imposed. This is because the costs of the four Japanese producers involved have increased in recent years, during which they have continued to reduce their EC export prices, says Febma.

European producers' profits have, as a result, fallen so far that the protection existing duties give has proved inadequate, says Febma. The Japanese companies are: NTN Toyo Bearings, Koyo Seiko, Nippon Seiko and Nachi-Fujikoshi.

American deal set for Saab

AMERICAN Airlines intends to buy a hundred Saab340 medium-sized aircraft for its fleet in a deal worth an estimated SKr5bn ($775m), one of the biggest ever made in Swedish industry, writes Robert Taylor, in Stockholm.

Details were leaked out in the United States yesterday. The purchase involves American Airlines buying 50 of the planes with an option on buying a further 50.

The troubled aerospace division at Saab will receive a welcome shot in the arm with this agreement that underlines the international success of its 340 plane has had in civil aviation with as many as 28 operators. Even before the American Airlines deal its annual sales were totalling SKr2bn.

Indonesia faces gas price talks

INDONESIA, the world largest exporter of liquefied natural gas, is facing strong demands from its Japanese buyers to renegotiate the conditions for two long-term sales contracts, writes John Murray Brown.

In Jakarta this week Pertamina, Indonesia's state oil company, begins talks with representatives of the Japanese gas companies and power utilities on revision of the basic pricing formula, and the terms for the offtake of the gas.

The negotiations have a vital bearing on Indonesia's LNG earnings, which were worth more than $3bn (£1.76bn) in 1988 and are projected to succeed oil as the country's chief export and of government revenue.

Bovis sets sights on East

By Andrew Taylor, Construction Correspondent

BOVIS, the British construction group, has formed a joint company with Smelt, a Yugoslavian contractor, to pursue work in Eastern Europe.

Bovis is project manager for two of Europe's biggest construction contracts, the Euro-Disney complex in Paris and the £1.3bn first phase of the Canary Wharf office development in London's Docklands.

The British company is making a push to break into European markets. It recently established a a joint company with Senator Project Management Services of Düsseldorf in West Germany and also has a 50 per cent stake in a French company Bovis Copra.

Smelt, based in Llubljana, has worked widely in the Soviet Union and has contracts in China, Argentina, and Iran.

Bovis said the joint venture would compete for contracts worldwide but its main thrust would be in Eastern Europe.

It is one of several British construction companies seeking work in the Soviet Union. John Brown, the engineering subsidiary of Trafalgar House, is part of a consortium which is to undertake £120m worth of modernisation work on polyethylene plants at Budyennovsk and Kazan.

UK in Jakarta loan talks

By John Murray Brown in Jakarta

BRITISH aid officials start negotiations with Indonesia this month on a UK government soft loan with both sides urging greater flexibility in an attempt to get more projects off the ground.

The UK is anxious to improve on the performance of its first soft loan – a £140m line of credit to support UK exports, £85m of which was left unused after two years of contract negotiations. That amount is now to be added to a £100m protocol signed in December.

Indonesia, a country of 170m people, has long been an important market for capital equipment sales. With its economy recovering, many donors expect project business to pick up.

A team from Britain's Overseas Development Administration (ODA), was in Jakarta in April for talks with Bappenas, the Indonesian Planning Ministry. Next month will see the annual meeting of Indonesia's main aid consortium in the Hague.

Power is expected to be one sector where there is UK interest. PLN, the state electricity utility, has announced a $4.5bn expansion scheme for the 1989-1994 five year plan, 83 per cent of which is to be financed by foreign aid. In 1985 Indonesia established a priority list for aid projects financed by export credits.

Shamir says US plea for realism is 'useless'

By **Robert Mauthner**, Diplomatic Correspondent

MR Yitzhak Shamir, the Israeli Prime Minister, yesterday rejected the call by Mr James Baker, the US Secretary of State, for Israel to renounce its annexation of the occupied territories, its "unrealistic vision" of a Greater Israel and the expansion of Jewish settlements.

Mr Shamir, at a press conference after his three-day visit to Britain, said Israel could not agree with Mr Baker's statements on Monday about "some positions of Israel in the future" or other matters not related directly to his government's peace initiative. He said it was "useless" to raise these issues.

But he said Mr Baker's comments about Israel's peace initiative were "fully acceptable to us." Mr Shamir was referring to his two-stage plan for elections in the occupied territories to initiate an interim regime of Palestinian self-rule for five years, during which negotiations would be held for "a permanent solution" to the Palestinian problem.

While underlining the "extremely friendly atmosphere" of his talks with Mrs Thatcher, he conceded that the British Prime Minister had endorsed no more than the principles of the Israeli peace initiative and had stressed that many of its details had yet to be worked out.

A British government spokesman said on Monday night that Mrs Thatcher had told Mr Shamir that his election plan, though "a useful step forward," offered no magic solution to the Israeli-Arab conflict. Mrs Thatcher had underlined the importance Britain attached to "early political progress" in the occupied territories and had stressed that a settlement of the problem must involve swapping "territory for peace."

Mr Shamir side-stepped the question of whether Israel would ever trade land for peace, leaving only the tiniest chink for a compromise. "I cannot say now what will be the outcome of the negotiations about a permanent solution." Either side would be able to table whatever proposals it wanted. But he stressed that for a settlement to be reached, it would naturally have to be approved by both parties.

Mr Shamir bluntly rejected any suggestion that Israel would ever negotiate with the Palestine Liberation Organisation because, whatever it had said about renouncing terrorism, it continued to carry out terrorist acts.

By sitting down with the PLO, Israel would legitimise its demand for a Palestinian state. A Palestinian state would inevitably become a military base with the aim of destroying Israel, he said.

Baker talks tough on Middle East peace

Lionel Barber reports on Washington's drive to create an Israeli-Palestinian dialogue

DURING the 1980s, the American-Israel Public Affairs Committee (Aipac) gained a reputation for being one of the richest, most powerful lobbying groups in Washington, a mouthpiece for Israel which Senators and Congressmen ignored at their peril.

On Monday, Mr James Baker, US Secretary of State, chose Aipac as the forum for delivering a speech described by one Middle East expert at the State Department as the toughest official remarks on the Middle East conflict he had heard in seven years.

To silence from the 1,200 Aipac members, Mr Baker declared that it was time for Israel "to lay aside once and for all the unrealistic vision of a Greater Israel. . . Forswear annexation, stop settlement activity, allow schools [in the West Bank and Gaza] to re-open, reach out to the Palestinians as neighbours who deserve political rights."

To Arabs and Palestinians, Mr Baker said it was time to end the economic boycott of Israel, to "repudiate the odious line that Zionism is racism," to amend the Palestine Liberation Organisation's covenant which calls for the destruction of Israel, and to drop the dialogue of violence in the *intifada* (uprising) into a dialogue of politics and diplomacy."

It is a long time since a senior US official uttered such unambiguous language – or addressed the conflict in such an even-handed manner without the customary emotional references to Israel as an embattled ally.

People tend to remember how Mr George Shultz, the previous US Secretary of State, always went "on-the-record" and was often incomprehensible. Mr Baker likes to go "off-the-record" or "on deep background" and is often stunningly blunt. That Mr Baker decided this week to go public with his blueprint for Middle East peacemaking suggests that something is afoot.

It would be easy – but wrong – to conclude that the administration is losing patience with Mr Yitzhak Shamir and his ruling Likud-Labour coalition, and that it does not have much confidence in Mr Shamir's four-point peace plan. Mr Baker was careful on Monday to give qualified approval to the plan - which includes elections in the West Bank and Gaza to produce a Palestinian delegation which would negotiate a period of interim self-rule and later, final status for the territories occupied in the 1967 Arab-Israel war.

Washington's goal is to bring about a serious dialogue between Israel and the Palestinians, "to break the deadly status quo" in the words of one official.

Because Israel has categorically ruled out talking to the PLO, and the PLO does not want Palestinians in the territories talking to Israelis, the US has to create its own momentum in the Middle East peace process. As Mr Baker's speech clearly demonstrated, this involves offering the impression to the Arabs that the US is prepared to talk tough with Israel.

In this respect, the timing of Mr Baker's speech was particularly good. The Arab conference in Casablanca opened yesterday. One promising sign, in US eyes at least, is that Egypt is back in the fold. Mr Yassir Arafat, the PLO leader will also be there, this time in his guise as President of the (still notional) state of Palestine. "The US would like the Arab summit to come up with dovish statements," said Mr Barry Rubin, an expert at the Washington Institute for Near East Policy.

Equally important, says Mr Rubin, is the fact that Mr Baker's speech precedes the first substantive meeting in Tunis between the PLO and the US ambassador Mr Robert Pelletreau to discuss Israel's election proposal.

The intention is to elicit a more positive PLO response than hitherto, to tease out some ideas which the US can then hand on to Israel. In this way, the administration can argue that the PLO is continuing to be flexible, continuing its apparent metamorphosis into a responsible political organisation.

This step-by-step approach is very different from the ideas favoured in Europe, such as an international peace conference, for resolving the Palestinian uprising and the Arab-Israeli dispute. Mr Baker is influenced by Mr Dennis Ross, his policy planning director – believes that such an ambitious approach is doomed to fail if pursued too soon. As he said in his speech: "A quick move to negotiations is unlikely. In the absence of either a minimum of goodwill, or any movement to close the gaps, a high visibility American initiative has little basis on which to stand."

Gradualism should not obscure the fact that the Bush administration knows where it wants to go and that this goal is likely to be at some cost to Israel. As Mr Baker said in an important passage which must have made given succour to Palestinians who yearn for an independent state: "For many Israelis it will not be easy to enter a negotiating process whose successful outcome will in all probability involve territorial withdrawal and the emergence of a new political reality."

Mr Baker immediately warned Palestinians that they should forget the "illusion of control over all of Palestine" - but the carrot of some sort of political entity or homeland is dangling before them.

Forceful words on Israel impress PLO

THE PALESTINE Liberation Organisation yesterday welcomed the strong stand against Israeli expansionism taken by Mr James Baker, the US Secretary of State, but expressed reservations about the US interpretation of PLO policies, Victor Mallet reports from Casablanca.

"I appreciate what Mr Baker said to Aipac to let them understand that Greater Israel is only a dream," Mr Ahmed Abdelrahman, spokesman for the PLO leader Mr Yassir Arafat, told reporters. "But what he said about the PLO is not correct."

The US Administration had not done enough to emphasise how much the PLO had moderated its policies over the last year by accepting Israel's right to exist and renouncing terrorism, he said. "Mr Baker did not tell American public opinion that we now adopt a two-state solution."

Palestinian and other Arab delegates at the Arab summit in Morocco were privately impressed by Mr Baker's forceful message to the Israelis, but they remained suspicious of any attempt to end the uprising in the occupied territories without Palestinian gains.

The PLO and its allies, including Egypt, Iraq and Jordan, are hoping for a united Arab stand to support Mr Arafat's new policy of moderation and put concerted pressure on the US and Israel, but Syria and Libya favour an uncompromising approach to the Arab-Israeli dispute.

Argentine crisis forces Menem towards the helm

Gary Mead reports on the worsening economic problems souring the Peronist election victory

MR Carlos Menem's election triumph of May 14 is already souring. The third largest economy in Latin America is today a ship broken loose from its mooring, hurtling towards the rapids of hyperinflation. Mr Menem, who won the presidency for the Peronists, is discovering that imminent disaster is forcing him to take the helm long before he intended.

He is due to take over the presidency on December 10, the date fixed by the constitution for President Raúl Alfonsín to hand over. But Argentina's economic collapse has tossed that lengthy timetable aside. Mr Menem will take over sooner than December. The question is when.

Uncertainty obscures every major issue in today's Argentina, including this one. So far this week, June, July, September and October have all been mentioned as possible dates for the transition. But the actual date for the transition is frankly academic. The nation needs a solution this week for the most serious economic crisis in living memory. Next week may be too late.

The solution requires a political consensus which does not yet exist and perhaps has no chance of being agreed in the near future. And the political consensus requires an economic consensus because Mr Menem has said he wants a complete inventory of the state's current economic situation before he will agree to an early takeover.

He has also firmly ruled out agreement to any emergency economic package based on increased public sector tariffs, and fresh taxes. He wants an immediate, substantial across-the-board wage increase by as much as 60 per cent.

But the government is without funds. Tax revenues have dropped drastically in the last few months, central reserves are less than $500m, short-term public debt serviced by treasury bonds is beginning to mature at an alarming rate – $250m was due to be paid to bondholders on Monday but the emergency bank holiday has postponed that crisis for a few days – and foreign financial help remains a distant dream.

Retail price inflation this month will probably surpass 60 per cent, wholesale more than 90 per cent. June will be worse.

Only the cushions people have already provided for themselves, including the estimated $5bn under mattresses and the second and third jobs that many have, are preventing outright smash-and-grabs in food stores.

Interest rates have soared to 300 per cent a month. Several top banks now have state-appointed officials inside them, running operations. Under Argentine law the central bank is the final guarantor of private bank deposits. Some bankers are talking about refusing to open their doors when the emergency bank holiday imposed this Monday is finally lifted – which now may not be before next week.

Some bankers are talking about refusing to open their doors when the emergency bank holiday imposed this Monday is finally lifted

They are scared that the recent run will shift up a gear, leaving them without anything to give to anxious depositors.

The political clash between victorious Peronists, who are arguing that it is possible to spend a way out of the crisis, even if that implies massive printing of money, and gloomy Radicals who have barely had time to lick their wounds from May 14, is endangering the greatest success of the election, the reinforcement of peaceful democratic transition of government.

Neither party is willing to shoulder the burden of making hard decisions concerning the true cause of Argentina's always simmering inflation, the state's Micawberish propensity to overspend. Last year the state daily lost $8.5m. It could afford to do so thanks to foreign creditors who found themselves facing a de facto moratorium on their $60bn worth of Argentine debt.

The Menem camp – no cabinet ministers have yet been named – feels that the crisis is the responsibility of the Radicals. The Radicals are now threatening to make Menem's position impossible, at least until December and perhaps March next year. They can do so by simply refusing to attend Congress sessions; Congress will then fail to gather a quorum, and thereby all legislation that the Peronists might wish to introduce will be blocked at the first hurdle.

The real danger now is that the need to reopen the banks will force the Radicals to unwrap an economic plan which lacks Mr Menem's backing. That package will either tackle the state's lack of thrift and incur the wrath of Peronists and their supporters. Or the package will again be full of short-term holding measures which will usher in currency depreciation and inflation Weimar-style. There is a feeling today that the country is at a historic crossroads. The choice is to head towards Bolivian austerity or Peruvian indifference to economic laws. Argentina's politicians know that both roads are bumpy.

Durable goods orders beat market estimates

By **Peter Riddell**, US Editor in Washington

FIGURES released yesterday indicating a rise in the demand for durable goods have added to the confusion in financial markets over exactly what direction the US economy is taking.

The Commerce Department announced that orders for durable goods rose by 2.9 per cent last month, well above financial market estimates of a 0.7 percentage point increase. There was a revised 1 per cent rise in March.

Durable goods orders are regarded as a leading indicator of future levels of output and the rise contrasts with other recent evidence pointing to a slowdown in the US economy since the beginning of the year, though not yet a recession.

The figures will reinforce the view of policymakers, including regional Federal Reserve presidents, favouring caution and opposed to early relaxation of monetary policy.

The April gain, the largest since last December, reflected a big increase in demand for electrical machinery, such as communications equipment, and for non-ferrous metals.

After excluding orders received by defence contractors which tend to fluctuate erratically from month-to-month, orders rose by 4.7 per cent in April following three consecutive monthly declines.

Saab wins US order for up to 100 aircraft

AMERICAN Airlines intends to buy 100 Saab 340 medium-sized aircraft for its fleet in a deal worth an estimated SKr5bn (£468m), one of the biggest ever in Swedish industry, Robert Taylor reports from Stockholm.

Details were leaked in the US yesterday. The purchase involves American Airlines buying 50 of the aircraft with an option on a further 50.

The agreement is a welcome boost for the troubled aerospace division at Saab and underlines the international success of the 340. As many as 28 operators have bought the aircraft. Even before the American Airlines deal annual sales totalled SKr2bn.

US city to license gay marriages

By **Louise Kehoe** in San Francisco

SAN FRANCISCO is to become the first US city to adopt a "domestic partnership" law enabling homosexual and unmarried heterosexual partners to obtain a pseudo-marriage licence giving them with many of the rights, benefits and shared financial responsibilities of married couples.

The measure, approved unanimously by the Board of Supervisors (City Council) late on Monday, was hailed as an important step forward by gay rights advocates. The legislation faces a second procedural vote next week before going to Mayor Art Agnos, who has said he will sign it.

Under the law, which was strongly opposed by the Roman Catholic Church, unmarried couples may register their "domestic partnership" in much the same way as others obtain a marriage licence from the County Clerk's office.

The ordinance defines domestic partners as "two people who have chosen to share one another's lives in an intimate and committed relationship of mutual caring, who live together and...have agreed to be jointly responsible for basic living expenses."

The law gives San Francisco city employees in non-traditional relationships the same sick leave, bereavement and maternity leave benefits as married couples. The city has also agreed to explore the possible extension of health insurance benefits to domestic partners of city employees.

Opponents of the law fear gay couples from all over the US may travel to San Francisco to hold ceremonial "marriages". But supporters say the registration system can be limited to San Francisco residents and workers.

Some city employees have also expressed concern that health care premiums could rise if domestic partners including AIDS patients, are covered by the city's health insurance schemes.

The president of the Board of Supervisors, Mr Harry Britt, author of the measure and a leader of the city's politically powerful gay community, said: "If my heart tells me and your heart tells you that we should share our lives together and take care of one another...the government has no business telling us that we're going to be discriminated against," he said.

UK NEWS

Capital spending growth rate best since 1984

By Simon Holberton, Economics Staff

GROWTH in British business investment was greater in 1988 that at any time since 1984, according to official figures released yesterday.

The Department of Trade and Industry said that manufacturing companies invested £11.6bn last year in plant, machinery and leased assets, such as cars – some 14.5 per cent up on 1987 levels and the best year since 1984 when companies increased their investment by 21 per cent.

The figures, which are seasonally adjusted and discounted for the effects of inflation, show that British industry last year surpassed its previous record year for investment, set in 1979. In that year manufacturing companies invested £11.2bn.

Investment in the first three months of 1989 also seems to have been strong. In the first quarter, manufacturers invested £3bn compared with £2.8bn in the previous quarter.

The DTI said that the 1988 figures were heavily revised to take into account more recent and reliable information on investment last year, derived in part from forward estimations made to data in the 1987 census of production.

The effect of these revisions has been to add £3bn to total investment of which about £1bn has accrued to manufacturing investment and £2bn to investment in construction, distribution and financial industries. Total 1987 investment has been revised up by £1.4bn.

The Treasury has always maintained that the DTI's figures for investment understated the true picture and yesterday's revisions would appear to bear that out. The March budget suggested a higher level of investment than figures showed at the time.

Mr Ian Harwood, economist at Warburg Securities, said that the revisions confirmed the under-recording which most had thought occured. "It is encouraging that it confirms that investment was buoyant last year but it is not an overwhelming surprise," he said.

The volume of all categories of investment last year was 17 per cent higher than in 1987. Excluding manufacturing, investment amounted to £22.7bn.

Long-term jobless fall to lowest in six years

By Ralph Atkins

THE NUMBER of unemployment benefit claimants who have been out of work for 12 months or more has fallen to the lowest level for at least six years, the Department of Employment said yesterday.

UK long-term unemployment fell by 77,000 people to 744,000 in the three months to April, the Department said. That was the lowest since the current series of figures began in 1982.

Since April last year, long-term unemployment has fallen by 285,000, almost certainly reflecting the strength of economic activity and the buoyant demand for labour. However, many independent economists fear excessively sharp falls in unemployment could fuel wage pressures and increase inflation.

Mr Norman Fowler, Employment Secretary, said: "Long-term unemployment has been continuing to fall at a faster rate than total unemployment."

He said that among 18 to 24 year olds, long-term unemployment was down by a third compared with a year ago and had more than halved in the past two years.

Rising water threatens London's firm foundations

By Andrew Taylor, Construction Correspondent

RISING underground water levels beneath London are threatening to damage the foundations of buildings and the underground railway, according to a report published yesterday.

Similar problems were emerging in other British cities, such as Birmingham, Nottingham and Liverpool, said the report by the Construction Industry Research and Information Association. Damage could cost up to £1bn in London.

Rises in the water table generally could substantially increase the costs of the high speed rail planned between London and the Channel Tunnel the association said.

The report said changes in the way in which London gets its water and the shift of water-using industries, such as breweries, away from the capital meant groundwater levels in the city centre were rising by up to one metre a year.

The report was sponsored by some of the organisations which have most to lose from rising groundwater, including: British Property Federation, British Telecommunications, Environment Department, London Underground, Loss Prevention Council, Post Office and Thames Water Authority.

The association said the capital had previously taken much of its water from wells sunk into the water-laden sands and chalk beneath the city.

As a result, groundwater levels during the past two centuries had fallen by up to 70 metres.

Now most of the city's water was taken from the Rivers Thames and Lea and water levels were rising.

Ground movements would damage buildings and tunnels and increase leakages within 20 to 30 years if the rise was not halted.

This would cause seepage into basements and chemical attack on buried steel and concrete.

Most at risk were large buildings with foundations in London clay, which expands and is particularly susceptible to movement when wet, said the association.

It recommended establishing a cordon of 30 wells in central London within 15 years which would pump out water at the rate of 30m litres a day – equivalent to five per cent of the city's daily water consumption.

The cost of the wells would be about £16m and about £1m a year to run.

The capital cost might be reduced by £6m if some way could be found to use them in other areas of the water supply, such as for flushing toilets, said the association.

In Birmingham, basements in low-lying Aston and Witton had flooded and walls had cracked in a British Telecommunications tunnel.

Groundwater levels in parts of the city had risen 20 metres since the 1960s and early 1970s.

**The Engineering Implications of Rising Groundwater Levels in the Deep Acquifer Beneath London: CIRIA, 6 Storey's, Westminster, London SW1P 3AU: £100 non-members; £35 members; summary free.*

MoD procurement staff warning

By David White, Defence Correspondent

STAFF SHORTAGES at the Ministry of Defence's arms-buying branch are leading to delays, inefficiencies and a large waste of taxpayers' money.

This is the conclusion of a report published yesterday by the House of Commons Defence Committee, which mainly blamed low pay for understaffing. "The present situation cannot be allowed to continue," it concluded.

The report pointed to low morale and a "catastrophic haemorrhaging" of scientists, engineers and administrators who often left for jobs with defence contractors. An engineer or scientist could earn 50 per cent more in the private sector.

"It represents a significant transfer of expertise out of the ministry to its suppliers – the very people from whom the MoD is trying to get value for money," the report said. When the transfers involved contract staff brought in to fill gaps in the MoD's Procurement Executive, "the potential for impropriety is unacceptable."

The Government, it added, was "paying for the training costs of the private sector," and departures had led to a drop in staff quality.

"The result is that the balance of commercial advantage is moving towards defence industry as suppliers, and away from the Ministry of Defence as the customer," the report said, adding: "This cannot be in the public interest."

The report found a 3 per cent shortfall on the Procurement Executive's workforce target of 33,000.

Government under fire on N-waste

By Maurice Samuelson

THE GOVERNMENT was urged yesterday to make a statement following the report of major problems with the storage of radioactive spent fuel rods from Britain's nuclear power stations.

Internal documents from the Central Electricity Generating Board, which regulates distribution, prepared by senior officials and Lord Marshall, chairman, appear to reveal a catalogue of problems, including the threat of radioactive leakage into the Irish Sea at Sellafield on the west coast.

Mr Tony Blair, Labour's energy spokesman, called for an urgent House of Commons statement on the disclosures in Time Out magazine.

The magazine claimed that Britain's Advanced Gas Cooled Reactors (AGRs) might have to be shut down because British Nuclear Fuels, a state-owned company, was running out of storage space for irradiated spent fuel.

The magazine alleged that:

● Secret research by the Atomic Energy Authority had revealed that spent fuel stored in water-filled ponds at Sellafield were corroding much faster than anticipated. Six thousand AGR fuel pins were currently leaking radioactivity into pond water;

● There was a major risk of radioactivity leaking into the Irish Sea because the storage pond for the new Thorp reprocessor would not be linked to a radioactivity extraction plant.

Other documents warned of a "critical" fuel logjam after 1993 and the CEGB's only solution, once pond storage space runs out, would be to shut down its AGR reactors, said Time Out.

Mr Blair said: "If true, and if the position has not materially changed since the documents were written, they disclose problems of fundamental and, indeed, alarming proportions."

Compaq set for Erskine expansion

By James Buxton, Scottish Correspondent

COMPAQ, the rapidly growing US business personal computer maker, is believed to be close to announcing a further expansion of its Scottish plant at Erskine, near Glasgow, to meet soaring demand for its products in Europe. The development could involve the creation of up to 400 jobs.

The 260,000 sq ft Erskine plant was completed last summer, 18 months ahead of schedule. It already employs 500 people.

Compaq's sales outside North America last year accounted for 39 per cent of the company's total sales of $2.1bn. The proportion rose to 46 per cent in the first quarter of 1989, when total sales compared with the equivalent period of 1988 grew by 55 per cent to $683m.

The Erskine plant already meets 40 per cent of Compaq's international sales and the proportion is expected to reach 60 per cent this year.

In February, the company said it was looking for a site for a second European plant to be ready by about 1992. It said it was considering West Germany because its international headquarters are located in Munich.

But the company now appears to want extra manufacturing capacity sooner. Spare land is available for development at Erskine, although it had been intended that only the present two identical production facilities would be built there.

The company would not confirm yesterday that Erskine had been selected for expansion. But it said that Compaq was looking closely at the economics and logistics of manufacturing more products outside North America. A decision on where and when that expansion might take place was expected soon.

UK NEWS

London underground 'still vulnerable to catastrophe'

By Rachel Johnson

THE POSSIBILITY of another catastrophe on the London underground railway remains, more than 18 months after the King's Cross station fire, a report published yesterday by the Railway Inspectorate said.

The underground suffered from a "lack of effective leadership in safety management," said the report, which was ordered after the Fennell inquiry into the King's Cross fire of November 1987 in which 31 people died.

Mr Paul Channon, Transport Secretary, urged Mr Denis Tunnicliffe, managing director of London Underground, to take "decisive and sustained action" on the report, which twice warned of catastrophic loss unless underground management corrected adverse items.

Mr Channon expressed serious concern at the findings of the safety audit, which proposed an extensive programme for safety improvements.

The report highlighted the failure of the underground to establish more than minimal standards of safety management in several important sectors.

It found there was no auditing of health and safety regulations or overall systematic auditing of general physical conditions and housekeeping.

Fire evacuation and emergency drills were only of a moderate standard, and there were no formal written plans for dealing with emergencies or congestion at stations.

A policy on fire containment had not been developed. This demanded "urgent action." Overcrowding on the tube was a "major potential hazard and a matter of very serious concern."

Safety procedures relating to equipment, such as replacing wooden escalators and fitting fire detection and alarm systems, were better and standards for fire control were adequate.

Management efforts to control congestion were not being applied systematically throughout the network, the report said.

Among its 71 recommendations, the report suggested that the movement of passengers through the system should be monitored to ensure overcrowding did not put passengers at risk.

The management structure for the underground proposed last year should be fully implemented, and written standards for management performance should be rigorously enforced.

Mr Tunnicliffe said the management had accepted all but one of the audit's recommendations, and that they would be carried out as matter of urgency.

He said that staff would be given safety performance targets and safety would continue to be the first item in training and meetings.

However, he would not accept the recommendation that he should become chairman of the London Underground safety committee with ultimate responsibility for safety, since a non-executive director with that role had been appointed.

Judges deliver grim verdict on proposals for legal reform

By Robert Rice

THE SENIOR judges of England and Wales confirmed yesterday that they were implacably opposed to the Government's plans for reform of the legal profession.

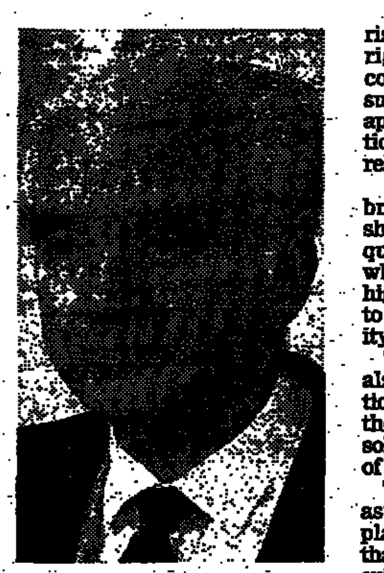
In a strongly worded response to the Government's discussion paper (Green Paper), finalised after a meeting of more than 100 judges of the Court of Appeal and High Court last Saturday, the Judges' Council called the Government's plans "irresponsible" and "potentially very dangerous."

The judges' concern is focused on the proposals to give the Lord Chancellor, Britain's most senior judge, power to set standards of education and training for advocates, make decisions on rights of audience in the higher courts and prescribe the principles to be embodied in professional codes of conduct.

These proposals represent both a real threat to the independence of the judiciary and the profession of advocacy, and "a grave breach of the doctrine of separation of powers," the judges say.

They would almost certainly lead to a decline in the standards of both conduct and competence; and there was no evidence that the proposals would lead to speedier and cheaper legal proceedings, the judges said. Costs might well increase.

"Until now no government minister has had, and no government has sought to exercise, ultimate control over the profession of advocacy in the



Lord Mackay

courts. Once a power is given, the risk that it may be misused by some future government can not be disregarded," the judges warned.

"It would be tragic if, in the name of well-intentioned reform, safeguards essential to the administration of justice in the Higher Courts were to be discarded for no clearly discernible advantage, either in the reduction of expense or otherwise."

The judges proposed instead that lawyers should be allowed to acquire the dual qualification of barrister and solicitor, provided that they only practise as one or the other at any one time. At the moment, barristers have a monopoly on the right to represent clients in court. Government proposals suggest that solicitors with the appropriate advocacy qualifications should be allowed to represent clients.

Transfer between the two branches of the profession should be made simpler and quicker, the judges said. All who practise advocacy in the higher courts should be subject to a single disciplinary authority under the judges.

The judges say they would also be receptive to suggestions for a limited extension in the categories of case in which solicitors already have rights of audience.

They do welcome some aspects of the Government's plans including the proposal that experienced solicitor circuit judges should be eligible for appointment to the High Court bench.

They also have no objection to the introduction of a Legal Services Ombudsman, the person to whom clients can appeal, provided he is not allowed to interfere with their jurisdiction.

They are opposed, however, to the introduction of "no win, no pay" contingency fees and to allowing banks and building societies to do conveyancing.

Lord Mackay, the Lord Chancellor, has made it clear that he will publish his plans for legislation before Parliament breaks for the summer recess, after considering more than 2,000 responses to the government proposals.

Strikes on North Sea platforms spread

By James Buxton

INDUSTRIAL action by North Sea offshore construction workers continued to affect several platforms yesterday and spread to the onshore St Fergus gas terminal.

About 380 men working on a extension of Total's section of the St Fergus terminal in Grampian staged a 24-hour strike in sympathy with their offshore colleagues.

The men are mostly employed by Press Offshore, the company whose workers on four BP platforms took industrial action at the weekend with sit-ins. The strike at St Fergus did not affect production at the terminal.

The men want Press Offshore and other offshore contractors to agree to demands for improved pay and conditions. They want the terms covering offshore construction work before a platform comes into production to be extended to post-production work.

Mr Tommy Lafferty, of the AEU engineering union in Aberdeen, said that offshore workers could lose £100 a week when a platform comes into production.

They also want the Health and Safety at Work Act to be applied in its entirety to offshore operations. Safety anxieties in the North Sea were heightened by last summer's Piper Alpha disaster in which 167 workers died.

A BP official yesterday described the situation on its platforms as "fluid." He said that 300 of the men employed by Press who had been sitting in on the Safe Felicia accommodation barge near the Forties Alpha platform had decided to resume their strike.

About 100 men went on strike yesterday on BP's Thistle platform, but 44 men on Buchan Alpha went back to work. No other BP platforms were affected and the strikes did not affect production.

Meanwhile, manual workers at Thames Water authority are being recommended to reject the company's first independent pay offer since it opted out of national pay negotiations, writes John Gapper. Unions say the offer is worth less than a national deal agreed this month.

The unions are warning workers on ballot papers that they may be asked to vote again on industrial action if they reject the offer. A similar offer has been made to craft workers.

The offer, of a 7.9 per cent increase in basic rates and the consolidation of up to 20 per cent of bonuses linked to local productivity deals, compares with an 8.5 per cent deal agreed by unions for the other nine water authorities.

Although Thames estimates that the offer is worth 11.9 per cent, union officials say that it is not likely to raise the wages of most workers beyond the basic 7.9 per cent.

Kinnock unveils the new model European Labour

Michael Cassell examines the opposition party's manifesto for next month's Community elections

THE LABOUR Party yesterday launched its attempt to convince the electorate that the party's heroic conversion to the European ideal is complete and that it can beat the Conservatives in promoting and protecting Britain's interests in Europe.

Launching the opposition party's manifesto for the European elections on June 15, Mr Neil Kinnock, party leader, derived maximum capital from the public differences over Europe which threaten to damage Tory support.

He attacked Mrs Margaret Thatcher, the Prime Minister, for her "theatrical jingoism" and "tantrum diplomacy".

The Tories, he claimed, had left Britain economically weak, socially backward and incapable of meeting the challenge of 1992. They wanted a future of deregulation without social obligation, a barrier-free trade group without co-operative responsibilities, a market rather than a Community.

At which point, Labour was obliged to provide its own alternative. As Mr Kinnock began to do so, claiming he had first grasped the European ideal as a 13-year-old footballer playing away in West Germany, the Tories were already turning the tables.

Mr Peter Brooke, the Conservative Party chairman, claimed the Labour leadership's deep hostility to Europe was being concealed in various degrees by a "cynical thirst for power."

In an attempt to demonstrate the enormity and speed of the conversion which has swept through Labour's ranks, he quoted Mr Kinnock in 1983: "We want out of the Common Market." He repeated the 1985 remarks of Mr Bryan Gould, now Labour's Euro-campaign co-ordinator: "Britain must retain the option of withdrawal from the EC."

Last night, Sir Geoffrey Howe, the Foreign Secretary, called the Labour document "trivial and transparent" and an insult to the British people. Mrs Thatcher is expected to resume the attack today when she addresses the Tory women's conference in London.

Yesterday, however, Mr Gould said it would be hard to slide a piece of paper between shadow Cabinet members on the European issue. Mr Roy Hattersley, deputy Labour leader, who was fighting for EC membership when some of his colleagues appeared to think that western civilisation stopped at Dover, said he had "no complaints" about Labour's new strategy.

Despite Labour's pro-European stance, the manifesto embraces sufficient objections and reservations over EC activities to show that Mrs Thatcher is not alone in voicing fears over the extent of the Community's potential powers.

Mr Kinnock described the idea of a United States of

Kinnock: federal Europe unrealistic at this stage

Europe within his lifetime as a "delusion" and claimed that support for such a vision had been exaggerated by Mrs Thatcher in order to disguise her own, regressive attitude. A federal structure for Europe was unrealistic at this stage in the Community's development.

The Labour leader said his party was not about to swallow "lock, stock and barrel" a treaty signed in different times and now in need of updating. He pledged Labour to act tough over important issues such as environmental and consumer protection measures, working conditions and taxes.

Resisting any temptation to adopt the Thatcherite image of Britain "fighting its corner" – he says the Prime Minister got Britain there in the first place – Mr Kinnock nevertheless said Labour would co-operate where possible, negotiate when necessary, resist the unacceptable in order to bargain and refuse the intolerable to win reforms.

The manifesto acknowledges that, increasingly, important decisions will be taken at European level. This area of governmental activity, it insists, will have to be brought under proper, democratic control.

The solution, according to Labour, is not to create a centralised tier of government in Brussels to supplant national governments but to ensure European co-operation is "properly responsive" to the UK parliament. The effective system of scrutiny of EC legislation at Westminster will also be essential.

A Labour government will also be pledged to tackle the "continuing nonsense" of the Common Agricultural Policy and will resist any moves towards the harmonisation of taxes such as VAT.

As Prime Minister, Mr Kinnock would also want fundamental reform of the Community budget, notably in improving the balance between spending on structural funds and on agriculture.

Neither is Labour anxious to take sterling into the exchange rate mechanism of the European Monetary System or enthusiastic over the prospect of full-scale, European monetary union.

Mr Kinnock laid down detailed conditions for British entry into the EMS, which the party says suffers from too great an emphasis on deflationary measures as a means of achieving monetary targets

He said Britain would insist on proper arrangements for EC financial support during the transition process, including improved "swap" arrangements between central banks designed to discourage currency speculation.

Mr Kinnock said there would also have to be an expanded role for the Community's social and regional funds, an agreed growth strategy for Europe; in addition, entry could only be at a "competitive" exchange rate. He denied he was setting "impossible hurdles".

On monetary union and calls for a central European Bank, the Labour leader said the concept was not realistic or even necessary. For the UK in particular, a leap from reserve currency status to full union would damage not only the domestic economy but that of Europe.

If Labour shares more reservations with the Tories about Community developments than it feels it prudent to admit, they have so far been eclipsed by the ructions within the Tory ranks.

Labour's aim in the next three weeks is to convince the depressingly small band of Euro-voters that while Mrs Thatcher's sights remain fixed on closet Marxists scurrying down Commission corridors, Labour cherishes a higher vision of a Community in which collective action improves the quality of life for everyone.

In Brief

UK 'ready to raise non-EC tax allowance'

The Government signalled yesterday that it was prepared to act unilaterally if other European Community countries would not agree to raise the limit on the value of tax-free goods that can be brought in by visitors from outside the Community.

Earlier this week the Conservative manifesto for next month's European elections said that the Government wanted to increase the limit from the present £32 to £250. At the same time it was seeking to quadruple the present £250 limit for visitors from other Community countries.

Mr Peter Lilley, the Economic Secretary to the Treasury, said that if other governments were not prepared to see an increase in the value of goods brought in from outside the Community, the Government would apply for a derogation from the European Commission to permit the higher limit.

Customs swoop

Customs officials on both sides of the Irish border yesterday made arrests and seized tons of documents in a joint crack-down on an alleged multi-million-pound grain smuggling ring centring on alleged abuse of a European Community agricultural compensation scheme.

Under the scheme, anyone exporting grain from the UK to the Republic of Ireland must pay a levy to UK Customs.

Canyon to expand

Canyon Europe, Japanese manufacturing gorup, expand production of plastic trigger sprayers at its factory near Belfast to meet rising European demand. The move will raise the workforce by 80 to 180 in four years.

Canada bank move

Canadian insurance group Confederation Life has launched a UK banking subsidiary with a capital base of £30m to be called Confederation Bank. It will offer mortgage finance and deposit-taking services to its customers.

WonderWorld start

Senior executives of Bouygues, French construction group, took formal possession of the site of WonderWorld, to be Britain's biggest theme park, after conclusion of attempts to raise £203m to get the Disney-style park off the ground.

Mortgage loans lull

Building Societies Association figures showed new mortgage lending for April only 2 per cent above the figure for the previous month at £4.3bn, which compared with £4.77bn in April last year.

Law Lords urged to ignore Lonhro 'siren call'

By Raymond Hughes, Law Courts Correspondent

FIVE law lords were yesterday urged not to heed Lonrho's "siren call" that they should hand over to a lower court an inquiry into whether the UK-based mining-to-publishing company has been guilty of contempt of the House of Lords.

Mr John Laws disputed Lonrho's argument that the five law lords should disqualify themselves because otherwise, having initiated the contempt move, they would be seen as acting as prosecutor and judge.

The case is the first involving an alleged contempt of the Law Lords, who sit in the House of Lords, the upper chamber of Parliament, represent Britain's highest civil court of appeal.

The case and relates to the publication on March 30 of a special issue of The Observer, a Lonrho-owned newspaper, containing extracts of the report by Government inspectors into the 1985 takeover of the House of Fraser stores group by the Egyptian Al-Fayed brothers.

Mr Laws, nominated by the Attorney General to give the law lords independent advice, said they could not be regarded as having prejudged the case. They had merely decided something needed investigation and set the matter in motion.

Lonrho wants Lords Keith, Templeman, Griffiths, Ackner and Lowry to withdraw from the case. The company has argued that it should either be handed over to other law lords or left to the Attorney General to consider whether to bring contempt proceedings in a crown court.

Contempt allegations are made against Lonrho, four of its directors, including Mr "Tiny" Rowland and Sir Edward Du Cann, The Observer and its editor Mr Donald Trelford, and two lawyers who acted for Lonrho.

Mr Gavin Lightman, advocate for the Observer, and Mr Trelford argued that those accused of contempt would be seriously disadvantaged if any law lords heard the case.

He said they would be acting as prosecutor and judge; there would be no right of appeal and no way in which, if the contempt were not proved, those accused would be able to recoup their legal costs.

However, Mr John Chadwick, advocate for the two Lonrho lawyers, Mr John Fordham, a partner in City solicitors Stephenson Harwood, and Mr Andrew Fletcher, a barrister, pressed the five law lords to hear the case.

The two lawyers, he said, wanted the matter dealt with as soon as possible.

The prospect of it hanging over their heads while it went to crown court "frankly horrifies them."

The hearing continues today.

INTERNATIONAL APPOINTMENTS

COMPANY NOTICES

EDUCATIONAL

RESIDENTIAL PROPERTY

MANAGEMENT

How a pressing need arose for a rescue plan

Mike Hall explains the unravelling and restructuring of one of Malawi's most important conglomerates

The newly appointed chief executive had hardly unpacked in his hotel room before the man from the World Bank had sought him out – desperate to discuss the new corporate plan.

So significant was the Press group of companies to Malawi's economy – it controlled or had shares in many of the country's big companies – that sorting out the mess it had got itself into was vital to the programme of economic reform the Government had begun in 1981 with help from the IMF and World Bank.

Some observers said Press Holdings was insolvent. It had borrowed short-term money for long-term projects and could hardly service the loans, let alone pay them back.

"The position was critical," says Wyndham Freyer, a Briton and former managing director of Guinness's brewing operations outside Europe, who was called in five years ago to see the group through a politically sensitive process of reconstruction. "If Press had foundered there would have been severe repercussions on the economy," he says now.

Most critically, Malawi's main financial institutions would have gone bankrupt with it, according to a local economist. Press had borrowed heavily from the National Bank of Malawi and the Commercial Bank of Malawi – in both of which it was a major shareholder – and from ADMARC, the crop marketing board, the resources of which came from the Treasury.

Press Holdings was born before the country's independence as Malawi Press Ltd, a company set up by Dr Hastings Kamuzu Banda, now the country's life president, to publish a newspaper to further the independence movement.

After independence in 1964, observers say, Banda saw the formation of a conglomerate of companies acting both as a catalyst in developing the private sector, and as a source of funds for the Malawi Congress Party of which he is leader.

Press Holdings grew rapidly in the 1960s and 1970s, investing in almost all sectors of the Malawian economy, especially estate agriculture. Today, it is the world's single largest tobacco grower.

The company's origins and ownership had caused much confusion. It is sometimes referred to as "quasi-public". A report from USAID, the US Government aid agency, once remarked: "Malawi's private sector is alive, doing well and owned by the government."

But a local economist argues that the philosophy was sound. "After independence Malawi chose a capitalist path. It was important for entrepreneurs to understand the opportunities and take them. Press provided the example."

By the early 1980s – mainly because the objectives of the group were never clearly defined – the giant had gone out of control.

"It was oversized, badly-managed and making huge losses," says a local businessman. "It also had a vast web of investments tangled up with parastatal organisations." For instance, it had joint investments with the Malawi Development Corporaton, a public sector development organisation, and with ADMARC – a duplication of effort.

Reconstruction began in 1981 with Freyer's South African predecessor doing a lot of "very valuable hatchet work" by reducing over-manning and starting to rationalise the business. But a more fundamental change was needed.

One proposal put forward by a consultant based overseas, and as such apparently insensitive to local politics, was to cut down and fragment Press Holdings, a move which effectively would have put an end to the company.

Not surprisingly, this was opposed by top politicians and government officials who then made up the board of directors.

The second plan, in which the local firm of the consultants Peat Marwick, had a hand, was accepted. The World Bank gave its blessing, although the IMF was understood to be less happy as it was opposed to government intervention.

Nevertheless, the Government had to obtain IMF approval before guaranteeing the indebtedness of the group - which was the basis of the reconstruction proposal.

A new company, Press Group, was registered. It had a new and dynamic board of directors, some of whom were senior civil servants.

Press Group took over the assets and liabilities of Press Holdings and formed Press Corporation to which it transferred only the assets. Press Corporation then had a clean slate.

Press Group retained the liability of some 127m kwacha in 1983 (then $112m); the Government agreed to bail it out by accepting income notes to be repaid over 25 years in the form of redeemable preference shares.

As part of the exercise, the shares of Press Holdings were vested in the Press Trust, a registered charity "for the benefit of the people of Malawi". President Banda is the principal trustee.

Press Corporation then began to set about going into profit so that it could provide dividends to Press Group to pay off the Government.

The first major exercise was to reorganise the joint investment portfolio of Press with the Malawi Development Corporation (MDC) – and ADMARC.

Some of the investments had been ill-considered. Both Press and MDC owned 50 per cent of some companies. "No one quite knew who was supposed to be managing them," says Freyer.

Shares in most of Malawi's top companies were swapped between the three, a move that in effect redefined their activities into Press (commercial), MDC (development catalyst), and ADMARC (agricultural).

There was also some obvious streamlining to be done. Press owned a supermarket chain and a hardware company, both of which were working independently with their own retail outlets each of which had its own overheads. The two were put together to reap the benefits of economies of scale.

Once the restructuring had been completed, the task was to strengthen management. "It was all quite basic," says Freyer. "We had a minimal number of central disciplines of which financial control was overriding."

An in-house management team, which included a financial controller, a director of operations (both expatriates), and a Malawian group company secretary recruited by Freyer, spent time with each operating company, ensuring that staff understood the potential of the business, what was expected of them and that they were properly motivated.

"We tried to create a framework of rules which gave the operating companies room to manoeuvre, but we were ruthless with the control of money," says Freyer.

An in-house treasury was established from which 85 per cent of the group's capital needs were drawn last year. Although there are still a large number of expatriates in senior management, none was brought in to replace Malawians, though a few Malawians replaced expatriates. Company policy is to bring in more Malawians.

Initially, profits had to be ploughed back into repair and maintenance of the group's fabric – including the re-equipment of the transport fleet – which had been allowed to deteriorate.

But after five years, the conglomerate, which accounts for about 35 per cent of Malawi's Gross Domestic Product, appears to have returned to the straight and narrow.

It registered a record 55.7m kwacha pre-tax profit up to September 1988, with its subsidiaries in agriculture, distribution, manufacturing and financial services turning in a profit. And this despite a difficult time for the economy as a whole.

Press Corporation has been able to pay back substantial parts of the government loans, reducing those due to Press Group from K47m ($17.6m) in 1987 to K28m ($10.5m) last year.

It was also able to donate 950,000 kwacha to the Malawi Congress Party. "We are way ahead of targeted projections," says Freyer.

Press Holdings ('000 Kwacha)

Year (to Sept 30)	Turnover	Pre-tax profit
1984	122,232	1,596
1985	265,297	11,185
1986	294,195	18,194
1987	362,401	38,143
1988	470,426	55,663

4.5 Kwacha = £1

Dr Hastings Kamuzu Banda: saw a conglomerate of companies as a catalyst in developing a private sector

Why 'mobbing' is costly

Sara Webb reports on bullying in Swedish companies

The Swedes may have a reputation abroad for being polite and courteous, if somewhat reserved, but it seems they are not averse to bullying their workmates.

According to Dr Heinz Leymann, an associate professor at the National Institute of Occupational Health, a government-funded body, "mobbing" or ganging up on others at work affects between 2 to 3 per cent of the working population in Sweden and can prove costly for the employer, since an unhappy employee is usually less productive.

His research has focused attention on what kind of company or work set-up is most prone to continuous fighting among employees, how the problem can be recognised and what should be done about resolving such conflicts.

So far, research suggests that weak management and poor organisation lead to a higher incidence of conflicts; he believes that middle managers need to be much more aware of the problem and tackle it at an early stage.

Leymann started his research into mobbing after he was sent the diary of a 50-year-old woman who had committed suicide because of continual harassment at work. He believes the problem results in 200-400 suicides a year and constitutes "one of the most important and more frequent psycho-social problems in the work environment."

In separate studies conducted in Stockholm and Gothenburg, two of the white-collar trade unions discovered that over half their members who resign without having another job do so because they cannot stand the conflicts to which they have been exposed.

His own questioning of workers and managers at SSAB, a Swedish commercial steel company, showed that:

- 2.5 to 3.5 per cent of employees suffer from mobbing;
- 4 per cent of respondents had been subjected to this almost every day and 12 per cent said it had continued for between one to five years;
- there appear to be differences between sexes in that men prefer to freeze out their enemies by no longer communicating with them while women tend to slander or ridicule each other very effectively;
- men are mainly picked on by individuals – either a workmate or superior – while women are mobbed by groups of workmates.

"Some of this mobbing could almost be called a way of passing the time when it happens among people doing boring and monotonous work," says Leymann.

He defines mobbing or harassment as "hostile and unethical behaviour directed by one or more persons in the work place at an individual ... these actions take place almost every day and over a long period of time (from six months to several years in some cases) and result in considerable psychic, psychosomatic and social misery"; ie it is not simply a case of one big bust-up.

According to Leymann, mobbing includes the following: insinuations, continually criticising someone's work, totally ignoring someone, questioning their judgment, attacking their private life, putting them in a work place which is isolated from everyone else, ridiculing them in front of others, imitating their mannerisms or the way they walk and talk, attacking their religious and political beliefs or ethnic background, and vandalising their home or office.

> 'Some of this mobbing could almost be a way of passing the time'

It has been suggested that perhaps the Swedes are being hypersensitive; Professor Ake Daun in a recent book on the Swedish mentality emphasises the Swedes' notorious dislike of confrontation and conflict, or as he puts it, there is a "tendency toward conflict avoidance in face-to-face interaction."

As a result, adds Leymann, the natural instinct is to bury the problem rather than discuss it, so it just becomes worse.

The increasing awareness of the problem in Sweden has led many companies like Trygg Hansa, an insurance company, and Marieberg, which owns the newspapers Dagens Nyheter and Expressen, to resort to employing or bringing in on a temporary basis personnel consultants and therapists to iron out differences at an early stage. Leymann stresses the importance of making lower and middle managers aware of the sort of problems which can crop up.

However, he believes that often the manager does not realise there is any problem until far too late in the day, when the bullying has already taken its toll on the underdog's work.

"At that stage, it is often easier and cheaper to move the underdog to another job, but in many cases that is a clear violation of their rights and the bully will just find another victim," says Leymann.

For example, Sweden's strict labour laws make it impossible to fire an employee because he or she does not get on with others; one popular ploy is to move the person within the company to a non-job, stuck in a small room of their own with no telephone and no work to do.

In other cases, companies have resorted to unethical methods such as continual harassment – constantly criticising the person's work and bringing job vacancies at other companies to their attention in the hope that they will go of their own accord.

While the therapist or personnel consultant may prove valuable in sorting out personal differences within a department or office, often the problem is more deeply rooted and reflects lousy organisation, poor management and a lack of good communication, according to Leymann. If employees don't know what is expected of them or are overloaded with work, they become stressed and more prone to conflicts in the office.

Leymann cites the case of a town hall department which was completely reorganised in order to save money. As a result, nearly every employee had a change in his or her job duties, room, and work mates.

At the same time, the incidence of sick leave shot up, 20 per cent of the employees started looking for new jobs, over half ended up working overtime without reporting it, and many more conflicts cropped up in the office.

The reorganisation had completely destroyed the social network in the department.

TECHNOLOGY

Show-case plant clears the air but at considerable cost

David Goodhart explains the difficulties that beset the cleaning up of a coal-fired power station in West Germany

Davy McKee's award-winning desulphurisation plant, attached to two power stations near Helmstedt in West Germany, must rank as one of the most disheartening environmental show-cases in Europe.

That is not because it is failing in its job of extracting acid-rain-creating sulphur emissions from the flue gases – although there were teething troubles – but because of its geo-political location.

For Buschhaus and Offleben, part of the Braunschweigische KohlenBergwerke utility, lie just on the western side of the border dividing West and East Germany. From there they now release into the atmosphere less than one per cent of the sulphur created by burning the local soft brown coal.

But just across the border in East Germany is the Harbke power station – part of a pre-war private utility – which belches out its unfiltered sulphur on to both sides of the border. Occasionally, the East Germans call up their former colleagues in West Germany to ask for spare parts for their "dirty" plant; but it will be some years before they copy their environmental protection strategy.

Rigorous clean air laws in West Germany require the virtual elimination of sulphur dioxide (sox) and nitrogen oxide (nox) over the next few years, on pain of plant closure. Considerable progress towards the elimination of sulphur dioxide has already been made and last week the Environment Ministry announced a 50 per cent reduction in sulphur pollution over the past year.

It is estimated that the clean air laws will cost West German industry a total of DM 23bn (£7bn) over the next few years. Although East Germany does not have that sort of money to spare, it is not oblivious to the environment. Davy McKee, the engineering and construction arm of Davy Corporation, is about to complete a smaller £40m desulphurisation plant for the Rumelsburg power station in East Berlin.

Both Buschhaus and Rumelsburg are using the regenerative desulphurisation technology developed by Davy's Wellman-Lord subsidiary. Capital costs are typically 20 per cent higher than the other main desulphurisation technology, the limestone-gypsum method, but the regenerative process produces a more valuable by-product, sulphur or sulphuric acid, and is more environmentally friendly.

Flue gas desulphurisation (FGD) was pioneered at Battersea Power Station in London in the 1930s, when sea water was used to scrub the gases. In recent decades, the limestone-gypsum method has become the most popular and is used at about 400 plants world-wide.

The process involves passing the sulphur dioxide through limestone to produce calcium sulphite which is then converted to gypsum. Its disadvantages are unattractive limestone quarrying and insufficient demand for the gypsum by-product.

The Wellman-Lord process, the most successful regenerative method, is used at more than 40 power stations world-wide. It works by absorbing the sulphur dioxide into a solution of sodium sulphite which creates sodium bisulphite.

The sodium bisulphite is then heated to create sulphite solution, which can be used again in the absorption process, and liquid sulphur dioxide which can be turned into sulphur.

Both the limestone-gypsum and the regenerative methods require building chemical plants within power stations. At Buschhaus, the desulphurisation plant is about half the station's area.

It consists of two huge absorbers which cool down the flue gas and take out the sulphur dioxide which is then transferred to a regeneration unit where the liquid sulphur is produced. Trains carry away this liquid to the BASF chemical plant in Ludwigshafen where it is turned into sulphuric acid.

The main input is caustic soda, which costs about DM 190 per tonne. That is more expensive than limestone but much smaller quantities are required and the sulphur by-product (also about DM 190 a tonne) is more valuable than the gypsum.

Supporters of the regenerative method point out that the gypsum process is much bulkier, requiring about 690 tonnes of limestone a day to create 1,300 tonnes of gypsum (for a 350 megawatt plant), compared with 19 tonnes of caustic soda producing 200 tonnes of sulphur in a regenerative plant.

Davy McKee has just won the German Recycling Award from the Raw Materials Trading Association for its work at Buschhaus. However, it has proved a costly show-case. The plant was handed over in April, more than a year late and nursing a loss of about £27m on the £150m contract.

The company won the Buschhaus contract in June 1986 following violent protests at the power station over the failure of a tall chimney to remove the sulphur pollution (the low-nox boiler ensures that nitrogen oxide is not a problem). The utility, one of the biggest employers in this depressed border area, was forced to shut down the plant and only allowed to restart it on condition that it quickly built a desulphurisation plant.

Davy had to work against the clock through a bitter winter, in which temperatures as low as minus 27 deg C forced it to erect a huge tent to allow welding to continue.

Although the flue gases were being cleaned satisfactorily, as soon as the desulphurisation plant started operation at the end of 1987 there was a problem with the recycling. Too much sulphate (oxidised sulphite) was being produced, which meant a higher than expected consumption of caustic soda. The part of the plant which syphoned off the sulphate had to be extended.

David Ashmen, manager of Davy's desulphurisation technology group, was summoned to lead a task force to solve the problem. The 50-strong group, which included leading chemists such as professors Ken Porter and John Mullin, discovered 20 possible causes of the problem, but it turned out to be something rather simple.

All previous plants using the Wellman-Lord system had used perforated metal to combine the gases and liquids. Buschhaus's "random packing" system was allowing in too much oxygen.

Ashman is philosophical about what must have been a tense few months. He points out that the problem was discovered in time to save a repeat at the Berlin plant and that the search for a solution threw up a few discoveries which might be patented.

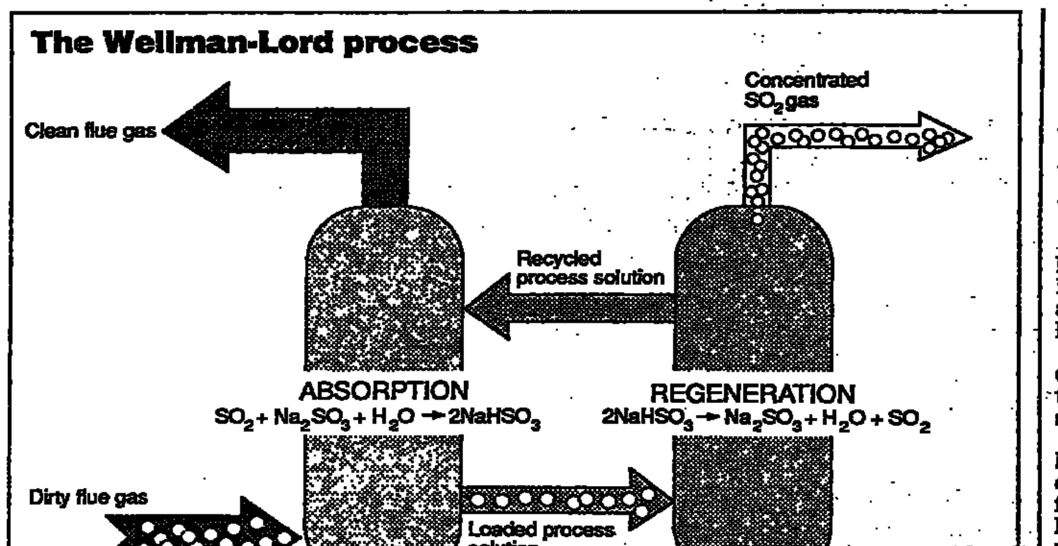
The desulphurisation market is already becoming saturated in the leading countries – Japan, the US, West Germany, the Netherlands and Austria – and Italy and the UK are catching up. So Ashman sees the best prospects for growth in the Eastern bloc "when they can afford it."

The main competition to both the gypsum and regenerative methods comes from fluidised bed combustion (see accompanying story) which creates sulphur-free flue gases.

There is also a rival to the Wellman-Lord regenerative method in the US. This uses a magnesium-based solution, but produces only sulphuric acid instead of the sulphur, sulphur dioxide and sulphuric acid of the Wellman-Lord process.

For the immediate future, therefore, Ashman is confident that he is offering the best, if also the most costly, desulphurisation treatment on the market.

The Wellman-Lord process



Source: Davy McKee

SO2 from the dirty gas is absorbed into a solution of sodium sulphite, reacting chemically to form sodium bisulphite. In a separate section of the plant, the loaded solution is regenerated by the application of heat. This drives off the SO2 and the sodium sulphite solution is recovered to be used again for absorption. SO2 from the regeneration process can be made into any of several valuable by-products.

It's all part of life's high-tech tapestry

HOLIDAYS on the planet Neptune, a physical barrier against theft, robotic home helps and a cure for Aids – these are some of the forecasts to emerge from a competition involving 1,000 UK school children.

For the contest, organised by Bayer, the West German chemicals company, pupils from British secondary schools had to predict how technology would shape society over the next century. Their ideas were depicted in futuristic versions of the Bayeux Tapestry.

The 101 entries included some highly intricate drawings on scrolls up to 20 metres long. A team from Aberaeron Comprehensive School in Dyfed, Wales, won the section for 14 to 16-year-olds. In the 11 to 13 section, first place went to Pates Grammar School in Cheltenham, Gloucestershire.

Just under half the entries discuss the possibility of a cure for Aids, while 28 per cent depicted video telephones as commonplace. The Aberaeron "tapestry" features chemical replacements for blood, space telephones, automatic dust collectors for houses and ways of unblocking arteries.

There were a few hints of genuine leaps into uncharted scientific areas, such as use of chemicals to delay the human growth process, turning people into real-life Peter Pans.

One notion involved shortening the radio-active decay process. If this were achieved, applications could range from providing more stable nuclear fuel to giving scientists new diagnostic methods.

Each winning school will get £1,000 from Bayer to spend on equipment, plus a free trip to Bayeux in France to see the real tapestry.

The competition unearthed one Margaret Roberts, a chemistry teacher from Clwyd, who told the organisers she approved of the way it helped pupils to appreciate the benefits of science. The comment would undoubtedly go down well with another Margaret Roberts who studied chemistry – the one from Grantham who later went on to become Prime Minister.

Peter Marsh

The French beef up the supporting role of coal-fired power stations

The French electricity industry is planning a chain of coal-fired power stations to supplement its use of nuclear energy.

The programme, announced by Electricité de France (EdF), highlights the contrast between France's electricity policy and that of Britain, which is trying to diversify from coal to other fuels including nuclear.

It also highlights diverging trends in power station design on both sides of the Channel. While Britain is turning against the idea of building new coal-fired stations in favour of smaller gas plants, the French are busy scaling up new technologies for use in big coal burners.

EdF officials say that, together with Charbonnage de France, the state coal company, they are seeking to develop the first large pollution-free coal station incorporating equipment that is currently only available in much smaller units. If successful, it will usher in a series to be constructed over a 15-year period starting in 1995.

The plants use a system called circulating fluidised bed combustion (CFBC). It takes its name from the way the burning fuel is whirled through a series of combustion chambers and cyclones to ensure maximum heat release and to retain sulphur and nitrogen pollutants.

The CFBC system retains more than 90 per cent of the sulphur in the fuels and can cut nitrogen emissions to half the strict ceilings permitted in environmentally sensitive California. The boilers typically achieve thermal efficiency of at least 37 per cent, comparable with the Central Electricity Generating Board's most up-to-date coal plants, such as those at Rugeley, Staffordshire, and Drax, North Yorkshire.

EdF has commissioned Lurgi, the West German engineering group, to design the first 250 megawatt (MW) unit which would later be scaled up to 600 MW. It is also being assisted by Ahlstrom, the Finnish engineering concern.

EdF says the new plants would serve as semi-base-load stations, which would be switched on whenever demand exceeded the output of the base-load nuclear stations. They would replace existing coal and oil plants, which are costly to run and do not meet the increasingly tight environmental standards laid down by the European Community.

With nuclear power supplying the bulk of France's electricity needs, including its exports to other European countries, the number of new coal-fired stations would depend on such factors as the performance of the nuclear sector, long-term fossil fuel prices; overall electricity demand; the progress of other non-nuclear technologies; and environmental considerations.

The same system has been picked for the first of a chain of low-pollution private power stations in Britain planned by British Coal. However, the French plants will be four times as powerful as the first UK pit-head plant proposed at Bilsthorpe, Nottinghamshire.

Nearly 150 CFBC boilers have been built or ordered in various parts of the world, including 76 in North America and one in Britain – for a Scottish paper mill. Ahlstrom has designed about half the world total. Lurgi, which specialises in bigger plants, claims an equal share of the market in terms of generating capacity.

Maurice Samuelson

FT LAW REPORTS

Lack of funds does not justify writ extension

BALY AND ANOTHER v BARRETT AND OTHERS
House of Lords (Lord Bridge of Harwich, Lord Brandon of Oakbrook, Lord Griffiths, Lord Goff of Chieveley and Lord Jauncey of Tullichettle): May 18 1989

THE VALIDITY of a writ may be extended for good reason only, and the balance of hardship between the parties is not a factor to be taken into account by the court when deciding whether there is good reason, though that may influence its decision whether or not to extend once good reason has been established. And an unexplained lack of funds to proceed with the action is insufficient reason for extension.

The House of Lords so held when allowing an appeal by the defendant accountants from a decision of the Court of Appeal in Northern Ireland, refusing to set aside the extension of a writ issued by the plaintiffs, joint liquidators of DSQ Property Co Ltd, formerly De Lorean Motors Cars Ltd (DMCL).

LORD BRANDON said that DMCL was formed in Northern Ireland in July 1978 to implement a project of Mr John De Lorean for the production of a car known as DMC-12.

The Northern Ireland Development Agency and the Department of Commerce provided funds for the project. DMCL built a large factory and carried on business until February 1982.

By then it was in grave financial difficulties with net liabilities, said to be about £113m, made up of secured debts to the government of £14m, unsecured debts to the government of £66m, and unsecured debts to trade creditors of £33m.

On February 19 1982 joint receivers and managers were appointed. On October 28 a compulsory winding-up order was made. On November 10 the plaintiff liquidators were appointed.

The defendants in the action were four linked firms of accountants practising as Arthur Andersen & Co, in Dublin, Belfast, London and Detroit.

The liquidators' writ was issued on February 21 1985. It claimed damages for breach of contract, negligence, misrepresentation and breach of duty in the preparation of DMCL accounts. Leave was obtained to issue concurrent writs on the three firms which were outside the jurisdiction.

The defendants solicitors did all they could to promote prompt service of the writ, by assisting the plaintiffs' solicitors in identifying the right firms and partners to be sued; by offering to accept service on behalf of all defendants; and by indicating their wish that service should take place without delay.

On February 4 1986 the plaintiffs' solicitors, without ever having informed the defendants' solicitors of any difficulties about serving the writ, made an *ex parte* application to the court for extension of its validity.

The application was supported by an affidavit deposing that detailed investigations into the audits, though carried out continuously, were not yet completed; that the issues were complex; and that the DMCL working papers were voluminous and not easily assimilated.

Master Wilson extended the validity of the writ for one year, until February 20 1987.

The defendants applied to the court for an order setting aside Master Wilson's order.

Their application was supported by an affidavit which stated that at no stage of their conversations, meetings or telephone calls with the plaintiffs' solicitors had it ever been suggested that the writ could not be served within 12 months of issue by reason of complexity of issues or volume of documentation.

A further affidavit was sworn by the plaintiffs' solicitors in reply on May 7 1987.

The principal fact which emerged from it was that the effective reason for delay in service was that the plaintiffs had lacked the funds necessary to enable them to prosecute the action properly following service.

The receivers were concerned on behalf of the government as secured creditor, and the liquidators were concerned on behalf of the government as unsecured creditor.

The liquidators hoped and were given reason to expect that the receivers would fund the action. The funds, however, were not provided.

The defendants' application to set aside Master Wilson's order came before him, and was dismissed by him. Their appeal to Mr Justice Carswell was dismissed. The Court of Appeal in Northern Ireland also dismissed an appeal. They now appealed further.

Order 6 rule 7 of the Rules of the Supreme Court (Northern Ireland) provided that a writ was valid for 12 months, and that where it had not been served the court might extend its validity. The rule was the same as RSC Order 6 rule 8 in England, and was interpreted and applied in the same way.

In *Kleinwort Benson [1987] AC 597* the House of Lords laid down the following principles: (1) the power to extend the validity of a writ should only be exercised for good reason; (2) the question whether good reason existed depended on the circumstances; (3) the balance of hardship between the parties could be relevant to the exercise of the discretion; (4) the discretion was that of the judge and should not be interfered with on appeal except on special grounds.

In *Waddon [1988] 1 WLR 309* the House of Lords emphasised that the question of balance of hardship could only arise if matters amounting to or capable of amounting to good reason for extension had first been established.

If not, the effect of principle (1) was that there was no room for the exercise of discretion at all, and the question of balance of hardship did not arise.

The defendants relied on two main grounds of appeal. The first was that the plaintiffs had failed on their *ex parte* application of February 4 1986, to make full and frank disclosure of all relevant matters.

It was a well-established general rule of law that when a party made an *ex parte* application of any kind, he must make full and frank disclosure of all relevant matters. That rule applied in particular to application for extension of a writ.

The February 4 affidavit did not contain full and frank disclosure of all relevant matters. It made no mention of the fact, dealt with in the second affidavit of May 7 1987, that the reason the writ had not been served within 12 months was lack of funds.

If the plaintiffs had deliberately sought to deceive the court the appeal would have been allowed on that ground alone. However, the defendants disavowed any contention of bad faith. It was accepted that the want of full disclosure was the result of mistake rather than deliberate policy.

On that basis the appeal would not be allowed on the ground of non-disclosure alone.

The second ground of appeal was that Mr Justice Carswell had erred in law in treating the balance of hardship as relevant to the question whether good reason for extension had been shown.

It was clear from *Kleinwort Benson* and *Waddon* that if the judge treated the balance of hardship as relevant to good reason for extension, he erred in law.

He said, with reference to *Kleinwort Benson*, "One can say now that a plaintiff seeking an extension must show good reason . . . and the matters which he may put forward as good reason . . . may include . . . hardship to the plaintiff in being deprived of his claim".

He departed from the principles laid down by the House of Lords, and in that respect he erred in law. The consequence was that an appellate court was entitled to review his decision.

It was clear from the plaintiffs' second affidavit that the reason the writ was not served within 12 months of issue was lack of funds to prosecute the action properly after service. Had those funds been available there was nothing in the evidence to show that difficulties arising from complexity of issues and volume of documentation could not have been overcome.

His Lordship did not go so far as to say that lack of funds could never amount to good reason for extension of the validity of a writ.

In the present case, however, no satisfactory explanation had been given for the receivers' failure to provide the necessary funds in time to avoid delayed service.

The receivers and the plaintiffs had a common interest on behalf of the government as secured and unsecured creditor, in the institution and effective prosecution of the action.

It was an inference from the history of the matter that the receivers did provide the funds some time between May 1987 and September 1987. There was, however, nothing in the evidence to show why they could not have done it earlier.

The plaintiffs had not shown good reason for extending the writ.

The appeal was allowed.

Their Lordships agreed.

For the defendant accountants: FP Girvan QC and WS Stephens (Herbert Smith).

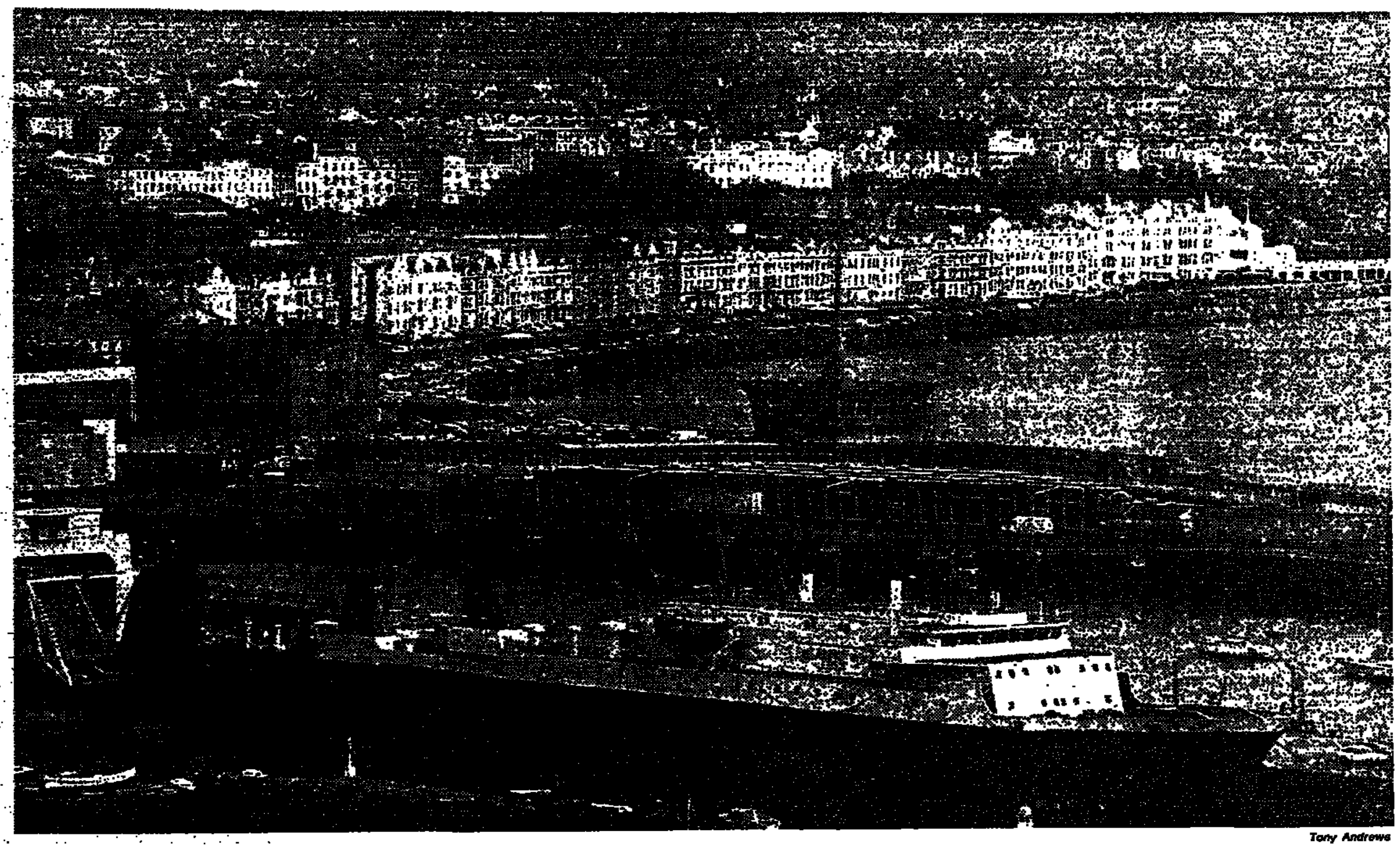
For the plaintiff liquidators: Michael Lavery QC (Birkbeck Montagu's).

Rachel Davies
Barrister

FINANCIAL TIMES SURVEY

In an island enjoying unprecedented prosperity with an unemployment rate down to 1½ per cent, the outlook for the future should be exceptionally sanguine. However, the government is facing a number of socio-economic difficulties. Ian Hamilton Fazey reports

Problems amid the prosperity



Tony Andrews

ISLE of MAN

THE Isle of Man – that pleasant, self-governing Crown dependency in the middle of the Irish Sea – is enjoying unprecedented prosperity. It has an unemployment rate of only 1½ per cent, a generally rising standard of living and greater international prestige as an offshore financial centre than at any time in its history.

Happiness should be universal, but it is not. Indeed, the island and its government face a series of predicaments that will require political skill to resolve. How they cope will measure the island's maturity and how far it has shaken off the backwater image which afflicted it until only a few years ago.

First, however, consider the achievements and the way they have been brought about. Hindsight now makes it clear that a banking disaster sparked them all off.

The Isle of Man Savings and Investment Bank collapsed in 1982 with £42m of depositors' funds, many of them the life savings of local people. An outcry ensued over the government's supervisory standards for the island's financial industry. These standards have been tightened progressively ever since.

A Financial Supervision Commission was established with wide regulatory powers. It imposed a three-year embargo on new banking licences and it laid down that auditors had to carry the sort of indemnity insurance that only the biggest and most reputable could afford.

Confidence returned in international markets. When banking licences were eventually issued again it was to a crop of big-name newcomers – subsidiaries of UK clearers or merchant or international banks. Of the 54 banks on the island now, only two are privately-owned, adding the safeguard of public shareholder accountability for most.

While all this was going on the UK economy recovered and the City of London strengthened its position in international markets, creating demand for easily accessible offshore services. With the Channel Islands full to bursting and the Isle of Man established as a properly regulated and safe haven, it started picking up the crumbs, then a lot more.

There are still some loose ends: after a long and meticulous investigation aided by Metropolitan Police fraud specialists and instituted by Mr David Cannan, who became Finance Minister in 1986, arrests of the former senior officers of the Savings and Investment Bank were made last year. Their trial is due this autumn.

If uncomfortable facts are revealed about the old days, the island's government now feels it can ride out any ensuing storm, though whether it will eventually offer an *ex gratia* compensation scheme to some of the depositors may decide the affair's eventual political burial.

The final confirmation that the island had got its regulatory machinery right arrived last autumn when it became a designated country under the UK's Financial Services Act, the first offshore centre to achieve this status.

It meant that the UK recognised a parallel degree of investor protection and would allow the Isle of Man financial sector to sell its products in UK markets. Expansion that was already well under way has in some cases been almost explosive.

Take the experience of Clerical Medical Insurance (CMI). When Mr Mike Richardson, chief executive of the Bristol-based company's Isle of Man subsidiary, set it up in 1987 he went to Douglas looking for 2,500 sq ft of offices, enough for between 10 and 15 people.

The only space he could find was 6,500 sq ft, so he took it, expecting to have to find a sub-tenant to help him fill it. This month the company moved to a new building with 25,000 sq ft of space. It is taking half now and will be expanding from its present 60 staff to 100 within a year.

Growth in professional services to support the burgeoning finance sector has also been startling. Indeed, Mr Peter Pell-Hiley, the head of KMG Peat Marwick McKlintock on the island, says a shortage of accountants is looming, with most firms recruiting ahead of need.

Peats started with 1,000 sq ft in 1982, doubled its space a year later, has 10,500 sq ft of a new office block in Athol Street now, and Mr Pell-Hiley wishes he had taken more. He expects his 75 staff to expand to 180 next year.

Touche Ross, which started its present operation from scratch only four years ago, now has a complement of 33 and has doubled in the past year.

It has taken the top two floors of the Bank of Scotland's new offices and although it has breathing space it expects to burst out in three years.

At Barclays Bank's head office in Victoria Street, staffing has risen from 47 to 95 in a year, bringing the total to more than 200. It is second in size to the Isle of Man Bank – a NatWest subsidiary – which says its payroll is growing at 10 per cent a year and is now 330.

Mr Eddie Shallcross, who moved to the island from Liverpool two years ago to beef up Barclays' operations, is looking for more space nearby and considering whether the bank should build an extension in its car park.

The pressure on space is forcing up rents, though Londoners marvel that they are still only £13 per sq ft, compared with about four or five times as much in the City for an equivalent standard of space.

The shortage and the prospects of good returns has sparked a property development boom, with new office blocks rising quickly. The Cresta group is in the vanguard of locally-based developers, while Norwest Holst has moved in from the UK, setting up strong management on the island.

Labour shortages in the construction industry have been acute for several years, but have become desperate now. Hundreds of work permits have had to be issued and one building company has solved its accommodation problems by creating a village of site huts to house its immigrant workers.

The island cannot supply enough labour. Professional and white-collar jobs are also chasing people. The finance sector has created hundreds of them for able young people on the island, offering them good pay and long-term career prospects. Both the Isle of Man Bank and Barclays can now offer careers for school leavers, where only the former could do so in large numbers previously. Indeed, Barclays now has two training officers as opposed to none before. It took on 30 recruits last year and plans an intake of 48 in the next 12 months.

For the first time in its history, the island's brain drain of young talent is slowing down. Previously, many young people left for university in the UK and never returned because there were no jobs to come back to. The graduate intake of the finance sector now includes many returners.

This tightness of labour supply is, however, more of a crisis than a blessing. It is constraining growth, forcing up wages and prices and raising a real spectre of inflation. It has stopped the government promoting the island. This has meant a brake on the drive of previous years to attract new manufacturing industry to balance the finance sector.

Paradoxically, this is protecting some small, inefficient businesses which can only survive by paying low wages. Indeed, some would rather see the drive for inward manufacturing investment continuing so that even more competition for labour would raise wage levels and force a shake-out of the poorer quality employers.

The reason why is that the island has always lagged behind UK wage levels and used to sell this as an attraction for manufacturing industry. This has added to the social pressures caused by rapid growth because the finance sector now tends to pay at the levels of south-east England, rather than the English north-west, as previously.

The gap between earnings in the finance sector and the rest of the economy is therefore increasing social and political tension. For example, as house prices rise it becomes more difficult for local, less well-paid first-time buyers to get into the market.

Here, the government's response has been a build-for-sale deal with the construction industry where the government has contributed cheap land to keep down prices of houses, which then have to be offered initially to first-time buyers. The buyers in turn can get a 4 per cent government mortgage if they qualify as low earners.

Mr David Cannan in three imaginative budgets has used the new-found prosperity to raise taxation thresholds, create a 15 per cent standard income tax rate and offer full transferability of allowances between husband and wife.

It means that a couple can earn a total of £24,000 before slipping into the island's higher tax bracket of 20 per cent. Significantly, however, 83 per cent of the working population pay tax at only 15 per cent, indicating the extent to which the Isle of Man remains a relatively low-wage economy.

The struggle the government faces is to balance the area's growth by spreading benefits elsewhere in the economy so as to ease the insecurity of those with least to gain. Adding to the difficulty are those on the island who have always resented "come-overs", their disparaging term for immigrants. They have a wider focus for prejudice now and it manifests itself in some rather uncomplimentary slogans.

Mr Miles Walker, the Chief Minister, is saddened. He has achieved every politician's goal of delivering rising prosperity and full employment and is by general consent holding the balance well between stability and inflationary growth, between lopsided advance and social justice.

For example, the employment protection legislation he has framed with the help of Collinson Grant, the Manchester specialist consultants in the field, is far more generous than the UK's, with a right to claim unfair dismissal after only three months' employment, compared with the UK's two years.

He says: "We always recognised there would be some social pressures from developing as a modern offshore financial centre. There is a small number of people who think we are going the wrong way about solving them, but I would be more interested in their point of view if they would tell us a better way of going forward. I feel we have a lot of support among most people."

His big test will come in the autumn when Tynwald, the island's parliament, has to approve the reappointment of his executive council of ministers, his Cabinet. Mr Walker says he will not fudge the issue. His government's record is a package and he will back his ministers en bloc, in effect, turning the issue into a vote of confidence.

If they go, he will go, so he will be forcing Tynwald to make up its mind whether anyone else could do better. Since no one in the island's recent history has delivered more to so many, few observers believe he is in danger.

KEY FACTS

Location: Irish Sea, 30 miles from England, 16 from Scotland, 48 from Wales and 27 from Ireland. Latitude: 54 deg 3min-25sec N, longitude: 4 deg 18min-47sec W.
Flying time: London and Birmingham 60 minutes, Glasgow and Edinburgh 50 minutes, Manchester 45 minutes, Liverpool and Dublin 35 minutes.
Area: 221 sq miles.
Length: 32.5 miles (52 km).
Width: 13.5 miles (22 km).
Perimeter: 100 miles (160 km).
Longest river: Sulby, 10.5. miles (17 km).
Highest peak: Snaefell, 2,036 ft (621m).
Record sunshine: 1,655 hours, 1984.
Record rainfall: 1,052 mm, 1968.
Lowest temp: -7.7 deg C, 1982
Highest temp: 28.9 deg C, 1983.
Population: Approx 70,000
Capital: Douglas, approx pop 21,000.
Gross national product: Approx £300m.

Island splendour: A glittering view of Douglas with the sea terminal in the foreground set against a backdrop of the hotels on the bayfront.

Sue Stuart looks at the effect of building societies on the economy

An island success story

ONE of the Isle of Man's biggest success stories over the past year has been the advent of building societies, two of which already lead all their UK branches in attracting investments.

The island started looking for building society business in 1983, when it was felt international awareness of the Isle of Man as a finance centre needed bolstering. It was also felt the presence of UK blue chip and trusted savings institutions would help dispel anxiety after the 1982 collapse of the Savings and Investment Bank on the island, and restore confidence in the non-resident and expatriate market.

There are five building societies on the Isle of Man – Bradford and Bingley, Britannia, Leeds Permanent, Nationwide Anglia and National and Provincial.

Although the need for building societies on the island had been identified in 1983 it was not until after the UK 1986 Building Societies Act became law, widening the powers of societies, that definite moves were made in this direction. While the UK policy appeared to be working towards putting banks and building societies on the same footing, it was still leaving building societies without the ability to tap offshore money, and this was the aspect which particularly concerned the Isle of Man.

Although the island could have allowed building societies to establish full-blown operations before the UK Act it seemed prudent to wait, especially as the UK Inland Revenue was anxious about possible leakage of money.

The UK Building Societies Commission was also concerned that the Isle of Man had no experience in supervising building societies and that they themselves had no experience of supervisory bodies outside the UK.

In 1986 the island passed its own Building Societies Act and set up the necessary supervisory and administrative infrastructure to deal with the presence and business of societies. The authorities decided to experiment with six licences on the island stipulating that the societies must be of impeccable pedigree, well known and respected in their fields.

Regulatory controls cover standards of professionalism, conduct, advertising standards and accounting as well as laying down the degree of communication required with the supervisory body.

The island's government sees the main market of building societies as foreign and expatriate offshore deposits, while also entering the domestic deposit-taking and lending market.

Local banks have undoubtedly felt the breeze as societies began doing business on the island, but the Manx Financial Supervision Commission feels the overall effect has been to create healthy competition that is proving beneficial.

"There are many people, particularly the elderly, who really need that extra one per cent on their income, so building societies play a very valuable role," said Mr Jim Noakes, banking supervisor and executive commissioner of the FSC.

UK residents on the island are quite used to building societies, but they are new to the indigenous Manx people who initially demonstrated some reluctance to save with them, but are now forming a steady flow of depositors.

Mr Noakes feels building societies are very competitive in the offshore deposit market. However, the economic cycle, with interest rate increases in the UK, is not favourable now for them to be pushing strongly for a large deposit base.

Demand for loans has also flattened. However, he hopes vigorous marketing of building societies' services will soon

Continued on Page 3

Ian Hamilton Fazey assesses the rapid growth in the island's finance sector

Haven for international investors

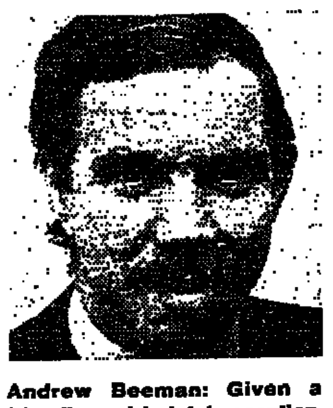
THE Isle of Man's deposit base has just surged by a record £350m in a single quarter towards £5bn. The figure is important because the size of the base is the simplest but most telling indicator of international confidence.

Mr Jim Noakes, the island's banking supervisor and the only executive member of the Financial Supervision Commission, says: "It is the only benchmark we have at present to gauge how the financial sector is doing. The last quarter of 1988 was already a record but included £80m from small deposit takers who did not have to report before.

"Even if you allow for high interest rates compounding what was already there, two-thirds of the increase was additional and real. Since our real forte is private banking, involving trusts, individuals, expatriates and families, rather than corporate business, we are being seen as a safe place for people to put their own money."

The emphasis on private business explains the still relatively small size of the deposit base compared with the Channel Islands, where the figures are several times larger because banks have more corporate clients.

However, it is not so much the base's absolute size as its rate of growth that is important as a measure of confidence. Ten years ago the base stood at only £352m.



Andrew Beeman: Given a friendly and helpful reception

David Cannan: Waging war on grubby end of the market

Jim Noakes: Our real investment forte is private banking

ISLE OF MAN DEPOSIT BASE

	Sterling (£m)	Non-sterling (£m)	Total (£m)
1978	342	10	352
1979	511	19	530
1980	692	51	743
1981	912	120	1032
1982	1103	197	1300
1983	1336	263	1599
1984	1681	345	2026
1985	2161	390	2551
1986	2766	428	3194
1987	3220	446	3666
1988	4049	580	4629

The biggest yearly rise came in 1988, when the base gained 26 per cent to more than £4.6bn. Deposits rose by 8 per cent in the fourth quarter. The annual increase was £963m – £438m more than the previous biggest recorded rise in 1985 and bigger than the island's entire sterling deposit base at the end of 1981, which then was £912m.

The island's main attraction in the private banking and savings market place is that interest is paid gross, unlike in the UK where composite rate tax ensures that interest is taxed at source.

"It is the Isle of Man's unique selling point," says Mr Mike Richardson, head of Clerical Medical Insurance in Douglas and chairman of the island's Fund Managers' Association.

CMI has found gross investment plans useful in all its markets. Its own rapid growth in 1988 came when fund management businesses stalled while the industry waited for the island to get designated status last autumn under the UK's Financial Services Act.

The company had to compensate with its life policies, which it administers from Douglas and sells from there and through new offices in Hong Kong, Gibraltar and Cyprus, so with its fund management side now picking up further expansion is inevitable.

The first non-UK bank on the island was the Canada-owned Royal Trust, which set up in 1976. Mr Mike Belfie, a Manx-born Canadian who left the island when he was four, arrived from Vancouver last December to run it. It has come a long way in 13 years.

"We have £225m in deposits and assets and are in a growth phase," he says. "There is a lot of good quality business to be done with people in the UK and with expatriates around the world. But we are now doing a lot of mortgage lending into the UK in foreign currencies, such as Swiss francs, Deutsche Marks, and Canadian dollars. Our threshold is £100,000 and up to 60 per cent of the value."

Mr Andrew Beeman arrived in February to run N.M. Rothschild's asset management business. It had been managed previously by accountants Pannell Kerr Foster, but when it won two local portfolios it opted for its own man.

However, Mr Beeman provides a valuable insight into how far the island has yet to go and how much more opportunity there is to develop its finance sector. "Living here has been a complete culture shock for someone like me with many years in the City," he says. "The quality of life is much higher than you experience commuting daily from Weybridge. We have found no antagonism from local people, only friendliness and help. And I have been very impressed with quality of intermediaries and professional services.

"When I was sitting in London my perception of the island was not what it is now. I saw it then as a low-profile place with a slightly shady background. Tight regulation has turned it round and created confidence. The island now needs more international marketing to give its financial sector greater visibility around the world."

Barclays Bank, however, impressed the island's government most in the last 18 months. It is second to the Isle of Man Bank in the retail market – and probably always will since the latter has a 50 per cent share and an intensely marketable local loyalty to play on because of its name.

Barclays launched the island's first full international private banking service this month. "Where competitors operate under a trust banner, we look after both the banking and the trust side, offering one-stop banking for affluent people," says Mr Ron Henry, who is in charge.

"The normal minimum account value is £500,000 but we will take less, looking at each customer on his or her merits and potential," he adds. The operation has 500 customers, including wealthy residents and non-residents who comprise an internationally-based clientele. Barclays offers to co-ordinate their various bank accounts and assets all over the world, wherever they actually live.

In spite of pressure on office space, a special suite has been created for clients to use as a base in Douglas. There they can relax on luxurious settees upholstered in soft, pink leather. Barclays' deposit base rose by 40 per cent compared with the island's 26 per cent last year.

"We are aiming to be regarded as the main corporate banker on the island," says Mr Eddie Shallcross, the manager sent from the UK to wake the bank up in its market place. The policy has seen a 400 per cent increase in foreign currency deposits in 12 months, mainly from companies – particularly umbrella funds and ship management – setting up on the island and wanting money transfers and foreign services.

The most unusual achievement so far was to pay one Manx-registered company's dividend to its 7,000 shareholders in Australian dollars.

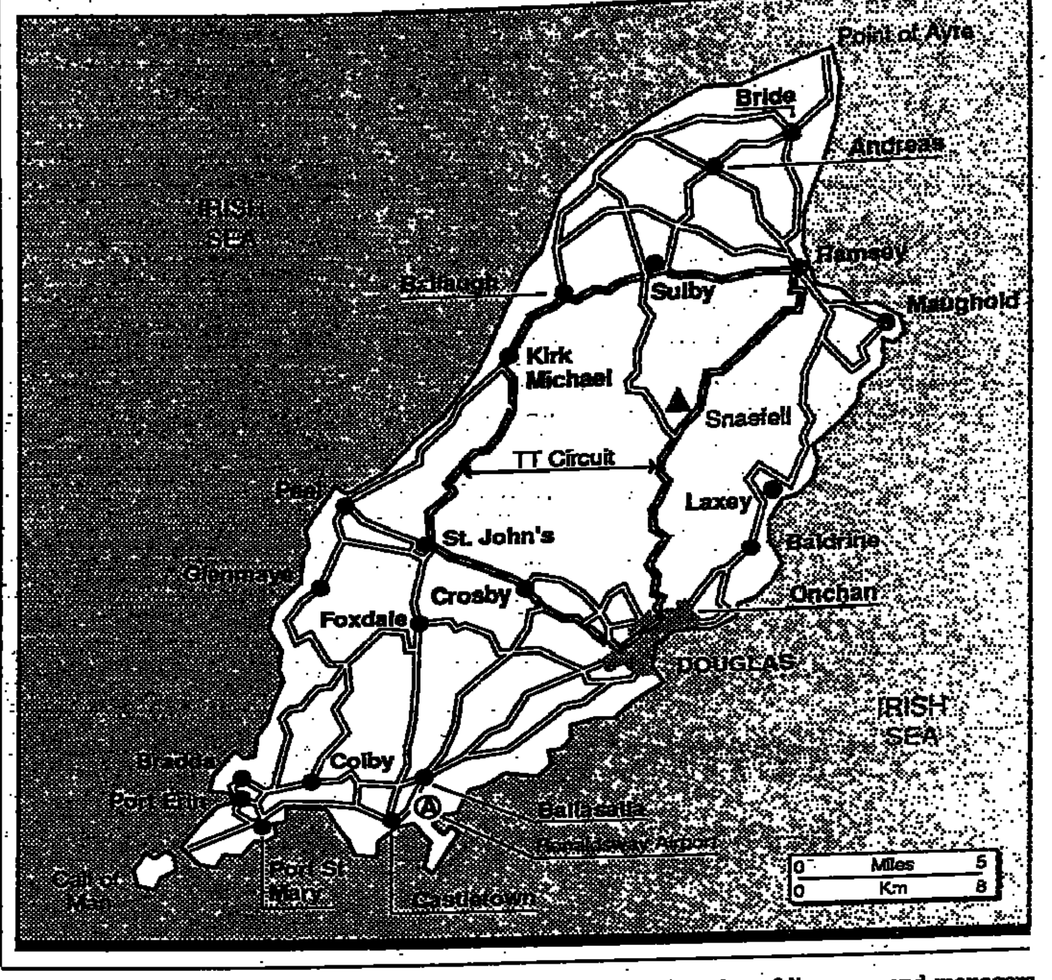
The island continues to wage war on what Mr David Cannan, the Finance Minister, calls the grubby end of the market and every time action is taken against a less reputable operator, so inquiries increase from eminently respectable public companies looking for a safe offshore base.

The strength of regulation, coupled with labour shortages, this month encouraged Mr Noakes to launch a managed offshore banking licence. In effect, the Isle of Man is to allow foreign banks to set up "brass plate" operations on the island. They will be able to open subsidiaries which will be managed by banks already there, but subject to tight vetting of licensees and managers to prevent abuse.

The appeal will be to banks which want to operate from an offshore centre close to London but which do not want the expense or commitment of setting up a full branch or subsidiary with its own local management.

To control the risk of fraud or laundering of money obtained from crime, the island will approve applications only from what it calls "prime" banks in jurisdictions exercising "proper" licensing and subscribing to the international concordat on banking supervision.

Targets are Swiss, Gulf, Japanese and US banks which are under-represented on the island at present. The first applications are already in.



Sue Stuart looks at the extended property boom

Developing a new skyline

DEVELOPERS, builders and estate agents are experiencing an extended boom on the Isle of Man as they endeavour to keep pace with demands of an expanding finance sector.

Douglas seems to change face almost daily as old buildings are demolished, girders are erected, cranes and teams of hard-hatted men move in, and new office blocks or shopping arcades take shape. Out of town, old chapels and cottages are being converted to new residences, brand new homes are being built and housing estates expanded, while "for sale" signs go up and come down all over the island.

All the while demand continues to outstrip supply, so prices continue to increase in all sectors of the property market.

Mr Michael Chapman, of Michael Chapman and Co, letting agents for many larger office developments on the Isle of Man, said the demand is from a mixture of new businesses and established companies outgrowing their existing premises. He explained that rentals vary between £10 and £13 per square foot, depending on location and standard of the property.

Tony Andrews

Cranes dominate the skyline in Douglas where new office blocks are taking shape to meet the expanding demand

Most new entrants take from 2000-3000 sq ft, he said, and some larger companies with a few years on the island, such as Allied Dunbar and Clerical Medical International, have taken between 20,000 and 40,000 sq ft. Mr Chapman said some larger lettings are based on future requirements of companies, so they sub-let part or parts of the premises on shorter leases, anticipating their own future space requirements.

One major scheme, expected to begin this year, he feels will attract great interest is the redevelopment of the Villiers Hotel site on the seafront. It will include a 125-bedroom hotel and serviced apartments aimed at the expanding business community and built to high specifications, as well as an office block.

Another site already attracting tenants is the imaginative development at Douglas harbour, at the lower end of the town's banking area. The development, by resident millionaire Mr Albert Gubay's company Montrose Holdings, includes 56,000 sq ft top grade office space, facing the town's business centre, and attractively restored shops and a restaurant on the harbour front with a landscaped courtyard in the middle which will be used for an open market on Saturdays.

High standards of development are also being sought in the residential property field and Manx-based builders and developers Tudor Homes report they could have sold property built this year 10 times over, all in the £100,000-£200,000 bracket. Mr Ronald Hewitt, the company sales manager, said the boom had largely begun about two years ago with most purchasers coming from UK expatriate communities or the Channel Islands where restrictions are placed on property ownership.

The company is run by Mr John Campbell, who demands high standards of workmanship from his tradesmen, and Mr Hewitt explained that when the boom occurred the company took a decision not to expand in order to retain these high standards.

Mr Campbell's company is also involved in commercial development and one of its major schemes is the Isle of Man Freeport. Officially opened last year, an extensive and luxurious administration building has been completed, even containing a Jacuzzi for visiting business people, and by September 15,000 sq ft of accommodation will have been built and let to tenants, with a further 17,000 sq ft already in the pipeline for completion after that. The Freeport concentrates on attracting tenants in the high-tech field.

Also based in the Freeport area, but on a separate lease directly from the Manx government, is the Pacini complex, part of the De Beers Corporation. The company has completed two buildings on its five-acre site, with plans laid down for more, and is now operating successfully in the industrial diamond field.

Estate agents have been kept particularly busy in the residential market and Mr Keith Kerruish, director of Chrystal Bros Stott and Kerruish, said sales have been approximately 50 per cent to new residents and 50 per cent to local people. He feels there is more "status" buying of larger homes by local people than in the past as they attain higher wage levels in the economic upturn, but regrets the island has cultivated a number of manor houses. "There were none before the 1970s, and it is rather alien to our culture," he said.

Mr Kerruish explained that in the past the Manx property market had always slowed down in line with the UK market, but he feels expansion of international finance business on the island means a free-wheeling property market for some time to come.

Chrystals have found a change in the market and although there has been an overall increase of 38 per cent in selling prices over the past year, this has been highest in terraced and semi-detached houses, which increased prices by 77 per cent and 61 per cent respectively.

"There has been a change since Christmas," said Mr Kerruish, "with the greatest demand now in the level up to £100,000. In spite of this there are still buyers at the top end and our company recently sold a country house for a figure well in excess of £1m." Substantial increases in house prices since 1986 have created rate problems for the indigenous population, particularly first-time buyers. Mr Kerruish said he is pleased with initiatives taken by the Manx government to provide first-time buyer homes in the town's £27,000-£38,000 range but adds he is most anxious that the current schemes are extended to all areas of the island.

The plight of the island's first-time buyers and those in the rental sector, where many buildings in Douglas are being converted to offices, has been consistently highlighted by the local media over the past 18 months. In many cases wages have not kept pace with price increases in the property market, making the idea of owning a first home beyond the wildest dreams of many local young people. At the same time, reduction in the amount of property to rent has added pressure on those seeking somewhere to live.

In response to this the Manx government has introduced a low interest rate home loan scheme for local residents, starting at 4 per cent and rising annually by 1 per cent to 9 per cent, and undertaken major building schemes of first-time buyer homes and local authority housing.

Mr Michael Savage, chief executive of the department of local government, explained the scheme consists of 420 first-time buyer units and government is able to achieve prices starting at £27,000 by absorbing land costs itself and meeting infrastructure costs. One hundred and fifty-two of the units, mainly three-bedroomed semi-detached houeses, are under construction and the first 24 have been completed and are now occupied.

The scheme is operated in partnership with developers – for instance, Norwest Holst is building around 70 houses in the Douglas area – who provide the design and then tender for the countract. The sale is then done between developer and purchaser and Mr Savage said most purchasers are using the government's home loan scheme.

ISLE OF MAN 3

Sue Stuart traces the rapid growth of 'captives'

Offshore base for insurance

THE Isle of Man boasts the largest number of life assurance companies of any offshore centre on its side of the Atlantic, with nine top names in the insurance field having established substantial bases on the island, compared with two on Jersey and two on Guernsey.

Growth has followed the introduction of tighter controls by the 1986 Isle of Man Insurance Act which led to increased confidence in the island, both within the industry and the potential client base. Business is mainly in the UK expatriate field but companies are rapidly expanding to cater for expatriates of other nations by producing a range of products tailored to suit different circumstances in this worldwide market.

Holders of offshore life cover in the Isle of Man benefit because they are free from exchange controls and they can accumulate funds during the period of the policy and can receive payment at maturity without deduction of tax. In many countries of residence, payments can be made from the Isle of Man without the recipient incurring any tax liability, but because expatriates tend to move around they are always advised to consult a local professional.

The insurance company also stands to benefit from substantial tax breaks if it registers as a tax-exempt insurance company. To qualify for exemption, underwriting profits and losses must arise solely from risks outside the island, or with other exempt insurance companies, and it needs to comply with regulatory controls of the local insurance authority.

These include a minimum share capital of £500,000 and the maintenance of any solvency margin set out by the authorities. It has to file annual financial statements and quarterly returns and its auditors must have professional indemnity cover of at least £10m. While not paying income tax, an exempt insurance company will pay an annual duty fee of £2,500.

The Eagle Star group found some years ago there was a large pool of British expatriates needing to invest in life cover but with no relevant place to do this, so it selected the Isle of Man as a stable base and began writing business there in 1983. The operation has grown from its original two employees into the head office of Eagle Star (International Life) with 90 employees.

From its Douglas office the company services around 9,500 clients worldwide. Mr Robert Mathers, marketing services manager, said while the core market remained UK expatriates it was now doing a lot of business with expatriates of other nationalities. "For instance, we have found a major market among non-resident Indians living in the Gulf, for whom we have tailored a specific product, as well as Australian and Irish expatriates for whom we also have specific products," he said.

The company now has clients in most areas of the world and has evolved a system of structuring a new product for particular needs in about two months, providing the product fits in with the company's computer software. A totally new concept may take up to a year. Mr Mathers feels that the granting of designated territory status in the insurance field in April 1988, had a beneficial effect on marketing, because it demonstrated the island is well regulated and so boosts client confidence.

Another company thriving in the expatriate market is Clerical Medical International, part of the Clerical Medical Investment group, which in 1987 set up its Isle of Man-based CMI Insurance Company to sell to international investors. The company launched its first product in February 1988 and now offers nine.

Most of its products are tailored to suit British expatriates, but can be used for other foreign nationals, and it also offers one designed for Far East nationals. Mr Ed Watling, CMI insurance product manager, said although the staff has expanded from its original 10 in October 1987 to 35, the company already has about 2,500 clients and expects to need more staff by 1990.

He explained the company is constantly seeking new markets and working on product development, but he feels the Isle of Man has now earned a name as the offshore life insurance main base, so this aids the company's marketing.

A different side of the insurance industry that has been developing steadily is that of "captive" insurance companies — wholly-owned subsidiaries of the parents that deal with the parents' insurance. Professionals involved in running them are surprised more companies in the UK and Europe are not encouraged to set up similar operations.

A company usually forms a captive as the most economically effective means of covering its own insurance requirements, wholly or partly. Above a certain level of annual insurance costs, particularly disaster insurance, it is cheaper for companies of large or medium size to run their own insurance companies, to produce their own profits as well as to reduce the premiums paid.

Captives based offshore have the added advantage of tax deferment possibilities and favourable tax regimes for their insurance funds and while Bermuda has for years been the favourite base, the Isle of Man has more than 60 operating within its territory.

Dr Bill Hastings, Isle of Man insurance supervisor, said: "The captives of today differ from those of 10 years ago — there is much more interest in captives being centres for risk management and risk control within an organisation — a management tool in their own right rather than just a technique of ameliorating high insurance costs."

Dr Hastings insists on a high standard of operation for Manx-based captives, viewing them as a part of the island's financial services structure that gains credibility for the island in the world's financial market place. He stresses he will not tolerate "brass plate" operations.

The strategy certainly appears to be working, with licences issued to applicants from all over the world including Australia, Europe, the Middle East, South Africa and the US as well as the UK, where licensees include Jaguar and British Gas.

The 1986 Act decreed central management and control of captives must be on the island and they fall into two categories: those managed by a manager registered under the Act and those run by the company itself.

Dixons set up its own in-house operation on the island in July 1986 where it handles mainly extended warranties business from its 1,000 stores in the UK. The business is underwritten in the UK then reinsured in the Isle of Man. Mr Martin Webster, the manager, said: "Prior to this we were insuring in the market and so losing profit." He added that the company needed to come offshore to make the idea of running its own insurance company sufficiently attractive.

Captive management companies find the Isle of Man particularly suitable for their UK clients. "It has the psychological advantage of ease of communication — Bermuda is a long way away," said Mr Duncan Donald, Alexander Stenhouse manager.

Operating in this field through its offices around the world since the 1970s, Alexander Stenhouse now manages captives for eight major companies from its Isle of Man office and Mr Donald said most people find Manx legislation very satisfactory. "It imposes a discipline and has a rigorous reporting requirement."

Bowring Captive Management, part of the Marsh and McLennan group, is run on the island by Mr Jim Routledge, who has just arrived following four years in the same business in Bermuda. "I find the captive market in the UK is way behind North America," he said, "and I feel there is tremendous room for expansion, particularly among the economically middle range of companies."

Social pressures force changes

Fresh direction for education in the classroom

RAPID and substantial expansion of the Isle of Man finance industry has placed increasing legislative demands on the Manx government and social and environmental pressures on the island's community.

The resident population is estimated to be more than 70,000, an increase of at least 6,000 on the 1986 census. Unemployment has fallen by nearly 70 per cent in two years and the 500 registered unemployed with residential qualifications fall into categories not easily placed, so the growing finance sector and ancillary services will rely on imported labour for future growth.

Emphasis on education has shifted towards training children for jobs in finance and information technology skills, though Mr Alun Davies, the Manx director of education, said many local students still follow pure academic and professional studies.

Children are introduced to information technology at an early age, with electronic mailboxes installed in primary schools enabling pupils to communicate with counterparts worldwide. At the island's College of Further Education a fully equipped electronic office, financed by British Telecom, is used for student training.

Constant communication takes place between the island's education authority, UK universities and the local business community to promote and encourage direction in education that will ultimately serve the needs of both employers and employees.

Mr Davies said a few years ago only about five students a year attended the college's banking courses, but this year 160 enrolled, a trend he sees matched in other business studies areas.

The Manx education department, together with the Chartered Institute of Bankers, and Salford University, have set up the world's first degree course in offshore finance, expected to begin in 1990. As the college expands its facilities, retaining staff to teach business and finance is proving a problem because many leave for better paid jobs within the industry.

This is a problem facing the Manx government in general, as civil servants and manual workers move to the private sector for higher wages. Wage differentials are common features of sudden economic growth and the situation on the Isle of Man causes considerable unhappiness to many of the island's lower paid, whose education and training does not qualify them for jobs in higher wage sectors.

Mr David Cannan, the Manx Finance Minister, said he designed this year's budget to aid the low paid by raising tax thresholds to place 83 per cent of the taxpayers in the lower tax rate of 15 per cent.

In his budget speech Mr Cannan said: "The increased benefit and tax reduction are intended to assist the retired and to encourage and reward those in the engine room of our economy, so that we may continue to fulfil the promise of a prosperous and caring society, which is the cornerstone of our policy." However, he expected increased economic activity in the island would produce higher earnings for the population.

Mr Cannan's budget was not greeted with enthusiasm by everyone and feelings among

'We are a cautious people and change does not come easily'

the island's low earners were summed up by Mrs Hazel Hannan, a member of the Manx parliament, who said: "We are giving more money to the rich and little to the poor. In the middle of all this the people who don't pay taxes are worse off and pay is not rising for the low paid, as I feel it should."

Mrs Hannan said the £6m that income tax changes will cost the Manx government would be better spent on local services and care for the environment.

While acknowledging today's social pressures created by the economic upturn and population growth, Mr Miles Walker, the island's Chief Minister, said people tended to have short memories and seemed to have forgotten the social pressures of three years ago, when unemployment was rife and some people could not meet their financial commitments, often needing to leave the island to get work. "I believe, compared with those of three years ago, the social pressures of today are more eagerly tackled, particularly housing, now government has the resources," he said.

"The building of a prosperous and caring society was the phrase on which this Government launched its policy document," he said, "and while the Government has a role to play, it rests largely with the people of the island, and I believe the majority do care."

"We are a cautious breed of people and change does not come easily," said Mr Walker. He added that changing circumstances in the island had produced varied reactions among islanders, "for some it is a question of learning a different discipline, but for others it represents a breakdown in the quality of life."

Islanders consider their home land one of the most strikingly beautiful places in the British Isles, with vast tracts of untamed land in its hills and valleys, and they display a keen desire that it remains unspoiled by overdevelopment or pollution. Environmental concerns have been mostly external until recently but the population increase has added local pressures.

One external concern is the perceived pollution threat of Sellafield nuclear reprocessing plant which is just 30 miles off the north coast of the island. The Manx government, together with the Irish government, has a stated policy of demanding closure of Sellafield and non-proliferation of nuclear installations around the Irish Sea, which it claims are potentially damaging to the livelihood and well-being of its citizens.

The Manx government said it would do everything it could to prevent plans going ahead for an underground radioactive waste disposal unit at Sellafield. Mr Dominic Delaney, Minister for the Environment, said: "They may be able to put it in their own backyard but they are not putting it in ours."

At the same time the island is tackling home-based pollution problems. Last year the water authority undertook a large project to remove excess aluminium from the river below Sulby dam, installing limestone chipping beds and a pumping station through which the water passes and attaining up to 80 per cent success in reducing aluminium levels.

There is little polluting industry on the island, but the Fisheries Authority keeps a watch on conditions of riverbed streams and states that education of farmers, the main polluters, regarding the effects of slurry and silage is beginning to pay dividends.

The siting of an incinerator is planned for the near future to take care of most of the island's refuse disposal. The rest will continue to go to landfill. Also under review is the island's mainly Victorian sewage system, which can no longer cope with current population densities, and members of the Manx government are putting pressure on their colleagues to implement renewal and restructuring, not least because the main island beaches would not attain easy bathing standards in their present condition.

While old and new residents do not always agree on planning and designing views or on which particular aspect of quality of life they wish to retain, they seem largely of one accord on pollution issues, and many newer residents join the indigenous mass in their fight against what they perceive as spoilage of their natural heritage by land speculators and property developers.

Sue Stuart

Success story for building societies

Continued from Page 1

begin among the international expatriate community.

The Britannia opened in September 1988 and Mr David Fulton, the manager, said it had received excellent responses to its marketing campaign in expatriate territories, with deposits flowing in from as far afield as Ethiopia and the US as well as Europe. "The whole office staff looks forward to the mail arriving each morning to see where we have cheques from that day," he said.

He estimates offshore deposits so far have risen to 15 per cent of total monthly inflow, but is delighted that in such a short period it has become the leading investment branch of the society's network of 250 in Britain.

The Leeds has also become the top investment branch of 482. Opened in April 1988 it pioneered the way on the island and in its first year beat all other branches, including its Fenchurch Street branch in the City of London.

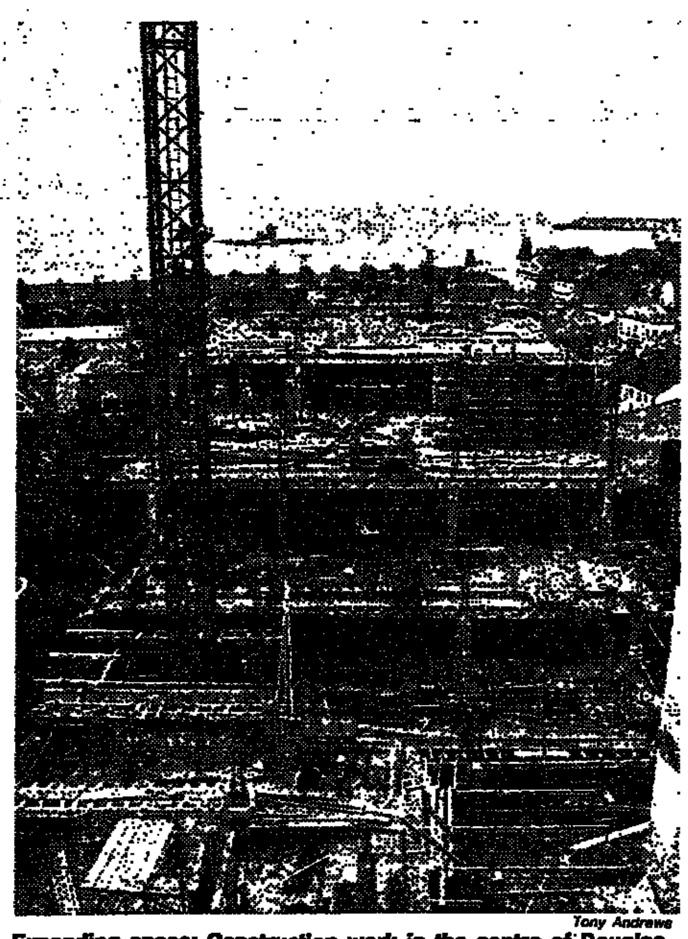
The business it is doing has far surpassed original projections and the company has had to rent more office space. "We thought our shop and offices in the main street would be sufficient for two to three years, but we have had to take additional office space and more than double our staff in just one year," said Mr Malcolm Wenn, manager of the branch.

He forecast a further increase in expatriate business which now represents about 20 per cent of the society's investment business on the island, but he is also very pleased with the local interest. "We have carved a niche for ourselves and for building societies and have now shown we can fulfil a function on the Isle of Man," he said.

The latest building society to arrive is the Bradford and Bingley which opened for business at the beginning of last month and Mr Paul Hutchinson, the manager, said the upturn in overseas residents' business generally in early 1988 led the society to decide there was substantial scope for an offshore base, so it selected the Isle of Man.

Its business and products are geared very much for the expatriate and non-resident market and Mr Hutchinson's expectations are to achieve 65 per cent of their income in that area, based on subjective views rather than hard experience. It is the society's pilot venture and ground rules set now will prevail for the future.

In the words of Mr Fulton, of the Britannia: "Local business is finite, but the overseas business is almost infinite in its quantity," so the next few years could produce remarkable results for all of them.



Tony Andrews

Expanding space: Construction work in the centre of Douglas

TELEVISION

The Blue Nuns of TV drama

Time was when television drama meant the single play: fiction created specifically for television (and therefore with the television screen in mind rather than the cinema screen or the West End stage) by people such as Dennis Potter, Simon Gray, and David Mercer. During the 1960s work of this sort was screened weekly in slots such as *Armchair Theatre* and *The Wednesday Play* and millions of viewers became accustomed to watching a remarkably high standard of original fiction on television.

The single play never disappeared entirely; from time to time we are still treated to a brief season of such original one-off works, though rarely more than a handful. But clearly today the significance of the single play is not what it was. It was replaced as television's leading drama form by the serial adaptation, and for a while the rule was "The bigger, the better." There were numerous examples, but the period is usually remembered for two great works: *Brideshead Revisited* and *The Jewel In The Crown*, both produced by Granada.

Now the dominant form is changing again. It is harder to define than its predecessors, partly because the works involved can be presented in a number of different ways; indeed, scheduling versatility is one of its chief raisons d'être. The easiest way to identify it is to look at the leading example of the genre, and that is ITV's Monday night offering which is currently being wrapped round both sides of *News At 10*.

This week's example, *A Tale Of Two Cities* (Granada again) lasted about 3-plus hours, began on Sunday, and was shown in three large chunks over two nights. Depending upon the preference of the various television companies around the world which buy it, it could, instead, be shown all on one night, in two, or three bits; or it could be "stripped" through the week, American fashion, with the same starting time each evening in the hope that word of mouth would cause the audience to increase each night. *A Tale Of Two Cities* is pretty typical in these respects, as it is in being expensive, international, and highly commercial.

On the other hand it is atypical in being an adaptation from a book. Nearly all the other works seen so far this season in this Monday night position have been "faction" of one sort or another. *The Heroes*, which lasted four hours and was spread across Sunday, Monday and Tuesday, told the story of "Operation Jaywick," an Allied raid by small boats on the Japanese navy in Singapore during World War II.

The latest mini-series: Kathie Kriegel as Madame Defarge in "A Tale of Two Cities"

A Dangerous Life was wrapped round the news on Monday, Tuesday and Wednesday, lasted six hours, and told of the fall of Ferdinand and Imelda Marcos and the rise of Cory Aquino. *Murderers among us*, the biography of Nazi hunter Simon Wiesenthal, ran for 3-plus hours and was spread across Monday and Tuesday night. And *Sword Of Gideon*, which was based, pretty loosely by the look of it, upon the Israeli response to the assassinations at the Munich Olympics, lasted two and three quarters hours, all of it on a Monday night.

The only other fictional piece so far has been Jack Rosenthal's adaptation of C.P.Taylor's play *And A Nightingale Sang* which, at 1 hour 55 minutes was the shortest of these productions. It chronicled the life of a Newcastle family during (yet again) the second world war, and this, too, was shown entirely on Monday.

No doubt the Murdochs and Thatchers of this world would sneer at any tendency to mourn the decline of the single play and the arrival of the "mini-series." What is the difference, they might say, they are both commissioned by drama departments keen to maximise their audiences, the main changes being that the new stuff is more expensive, more exciting, and much more likely to have been filmed on location, especially a foreign location.

All that is true. *Sword Of Gideon*, which has been the worst of this collection by a small margin, began to look like a *Monty Python* satire as it plonked its cast down in front of one cliché location after another: the Trevi Fountain, Notre Dame, Big Ben. Do the makers really believe that the viewers are so impressionable and chauvinistic that they will stay tuned in to see their own country represented?

Perhaps the intention is, rather, simply to look expensive. Much of *And A Nightingale Sang* was made on studio sets, but even here there was a shot of a tank factory complete with two tanks, and another sequence involving a German fighter bomber, which did not look to me as though they came cheap. *The Heroes* appeared to be shot (interminably) all over the Far East; *Murderers Among Us* contained the most authentic, and harrowing, concentration camp crowd scenes I have ever seen outside documentary footage, and that sort of thing is immensely expensive nowadays (and I doubt if Ben Kingsley is cheap) and *A Tale Of Two Cities* has all the familiar costs of period drama.

So it *is* luxurious to look at, and the locations *are* impressive, and television is doubtless making life more and more difficult for the cinema as it steals successive sets of the cinema's clothes. Yet however sceptical the Murdochs and Thatchers may be, there are two crucial differences between these productions and drama in the days of the single play.

In the 1960s the drama departments commissioned writers, and the imagination of the individual writer was the central factor in each production. Among the mini-series we are considering here, there are only two in which the writer's name is of any significance and they are both adaptations. Drama departments no longer go in the first instance to writers. Their first and most important consideration today is ratings; the second is international acceptableness.

The consequent difference between television drama in the era of the single play and in the age of the mini-series is fundamental. Gray, Potter and Mercer used television (Potter still does) as merely the latest way for an artist to reach the public. As with paint, print and radio, the purpose was to express and convey as vividly as possible the individual sensibility of the artist. The same really cannot be said about *Sword Of Gideon* or *The Heroes* which are not in the least concerned with conveying a unique view of the world.

This is not to suggest that the mini-series are without value. As intended, they are popular; in the UK they are watched by 10m to 15m people and come somewhere between third and 15th in ITV's weekly Top 30 list. Moreover, the best of them are outstanding pieces of professional craftsmanship. For instance, *Murderers Among Us*, which has been the best so far, was lit, shot and directed with all the expertise — and the final telling effect on the screen in your sitting room — which you would expect from Brian Gibson, the man who directed such memorable works as *Joey* and *Billion Dollar Bubble*.

Murderers Among Us was, like every one of these productions, too long for its own good, yet that is not the chief criticism of the genre. The biggest drawback is that, with television drama as with wine, if you set out to make your product palatable to a mass public in umpteen different countries, you end up with something which — however popular — is bland and forgettable.

What we have in the mini-series is the Blue Nun of television drama.

Christopher Dunkley

Elektra on the South Bank

The *Elektra* we heard in Monday night's "semi-staged" concert performance at the Festival Hall is a sort of travelling circus, and the South Bank its latest port of call — though the orchestra Seiji Ozawa conducted this time was the London Symphony, with its chorus, and British singers filling most of the lesser roles. At the centre of the exercise is Hildegard Behrens, whose incarnation of Richard Strauss's matricidal heroine is indeed astonishing, and whose husband Seth Schneidman is responsible for the semi-staging.

In the Festival Hall the Behrens soprano sounded enormous, as well as beautiful, lustrous, sensitive, accurate and blessed with seemingly limitless resources of power. Toward the end she did a suitably feral dance of triumph without a sign of flagging; she earned her ovation.

But this was no one-woman show, for it boasted also a ripe, expert Clytemnestra from Christa Ludwig (who still has plenty of voice to spare — she is no less of a phenomenon than Behrens) and a glowing Chrysothemis from the youthful American Nadine Secunde, for whom a distinguished career seems assured.

The rough nobility of Jorma Hynninen's Orestes, and Ragnar Ulfung's cameo of the effete Aegisthus, were equally out of the top drawer. Among the excellent maidservants another young American, the contralto Joan Khara, made a striking impression.

Ozawa clearly has a close technical knowledge of the score, and he drove it ferociously while preserving unusual clarity. The orchestral sound had a hard glare throughout; Strauss's massive wind section was crowded together on stage left, confronting the strings, so many an instrumental blending failed to take. There was hardly a trace of warmth in any of it, nor much sense of a long musical line as distinct from a series of explosions. On the way out, someone was saying judiciously, "Shaken, but not stirred" — fair enough.

Even the recognition-scene, fervently sung, remained frigid. The semi-staging provided little more than room for raw, melodramatic gesturing. Nobody wore theatrical makeup, without which Miss Ludwig looked invincibly sweet and kittenish and Miss Behrens squeaky-clean in their swish designer dresses; Hynninen seemed hastily got-up for an after-dinner charade.

I don't doubt that Elektra might work very well in a minimal staging, but on every visual count this version sabotaged itself. Ozawa managed, by the way, to rip through the piece in just over 100 minutes.

David Murray

The Plain Dealer

THE PIT

This lumpenly unstylish and cliché-packed plod through a lesser Restoration comedy makes for a grim three hours. Ron Daniels' production is the latest RSC import to London from Stratford where the piece reportedly went better at the Swan. In the Barbican the question of why it was thought worth reviving remains unanswered.

Wycherley's debt to Molière looms large in the scene where his own *Country Wife* is discussed in prudish terms that recall *La critique de l'Ecole des femmes*; Wycherley's deceitful Olivia emerges as a mixture of both flirtatious Célimène and spiteful Arsinoé in *Le misanthrope*, from which the scene where her duped admirers compare identical love letters has been appropriated. A dash of the Bard is provided by Fidelia, disguised as a boy to follow her unobservant love, sent by him as messenger to his own love, even called Olivia, who then falls for the pretend boy.

Purely (if that is the right word) Restoration elements are provided by the robust obsession with money and sex. Subplots include a litigation-mad widow and her son, an heir whom she keeps under her thumb but who is whisked away by an adventurer. All this should provide some jollity, but the play's rambling construction, after an unconscionably verbose opening, is not redeemed by bitty direction and some desperate playing.

Tom Fahy, Mark Hadfield and Joanne Pearce

Chief offender is David Calder's Manly, a hater of flattery seemingly based on Molière's Alceste. But that principled curmudgeon was never as dour and graceless as this; and Wycherley's own Horner was never so devoid of charm. Mr Calder plays on the same note of bellowing, scowling irascibility throughout. His ferocious attack deprives one great comic moment ("You are in love with her yourself!" he snarls at poor Fidelia in her male guise) of all humour; and his slightly precious over-enunciation combines with a strangulated tenor growl to make Fidelia's infatuation inexplicable.

Joanne Pearce as the heartless calculator works like mad, sometimes successfully, to spruce up the comedy; Geraldine Alexander looks sweet and acts touchingly as Fidelia, after initial vocal woodenness; and Marjorie Yates brings the attack of a Glenda Jackson to the law-obsessed widow. But the paucity of audience laughter told its own story. The production is as uningratiating as David Fielding's bare design: odd chairs ranged round, some upturned, and modern back wall with light-switch and fuse-box much in evidence. A few polite smiles and a couple of chuckles make a poor return on the interminable investment.

Martin Hoyle

Elton John at Wembley

Elton John is up and running. After three years touching those depths which only a talented, popular, millionaire can plumb, he is back where he is happiest, on stage, doing what he is best at, entertaining. There are changes — the show is louder, more brassy, less camp. Elton confines his eccentricity to a few agile leaps in the air, and a couple of drab costume changes, from purple suit to green, from plastic pork pie hat to topper, removed for a quick flash of a blonde crop. But the essentials remain — a rush through some of the best pop songs of the past two decades performed by the most poignant star.

He sits, a squat, waxen faced figure, behind his digital piano like the spider at the centre of a gossamer web. Banks of lights frame him, lowering to within inches of his head; his musicians and backing singers sometimes drowning out a voice which seems to have made a full recovery from the surgeon's knife, even if it has left him avoiding the top notes on songs like "Daniel."

His conversation is aggressively defensive, thanking his fans for sticking behind him through his troubles, and capable of a joke against the Sun newspaper which he successfully sued for libel. — "My organ is worth a million." He does not seem happy but he is capable of exciting great joy in others, as you watch the ecstatic fans belt out the hell raisers like "Saturday night's all right for fighting," and flail the air with their fists on Elton's, and the united bruised hearts anthem, "I'm still standing."

By this time a packed Wembley Arena was on its feet, and it stayed there through the anticipated encores, "Candle in the wind," sung plaintively with much mouthing of the mike, and some hopeful lighter flickering among the audience, and the final "Your song."

Some of the treatments were newly elaborate: "Sad Song," for example, was almost lost within a baroque delivery, with Elton letting one of his backing singers moan the blues before he took on the melody. The new album was enthusiastically plugged, and was optimistically up beat, but Elton is at his best sharing his anguish with his friends, and some of the poignancy in songs like "Daniel" disappeared behind the blanket sound, orchestrated by Elton's long time side kick guitarist Davey Johnstone.

It was good to see Elton John on song again. He still looks sad and was strangely nervous at the start, hiding behind his synthesiser shaped piano. Oddly your eyes turned away from the human figure to the image on the giant screen above him, revealing ageing hands as he thumped the keys with a full fisted reminder of his pub piano days.

By the end the warmth of the applause seemed to have calmed him. His new show, built on musical sophistication rather than idiosyncratic clowning, does create a barrier between Elton and his audience, a self protection he does not really need. But he obviously wants to go forward; to shake off the image of a rock Liberace. It is selfish to expect him to remain pandering to the emotional needs of his myriad supporters.

Antony Thorncroft

Down Every Street

STRATFORD EAST

Having sat through this evening at the Theatre Royal one can only sympathise with Jeff Teare and his crew: at some point they must have realised that they were flogging a still-born horse, and one would imagine it was sooner rather than later. Vince Foxall's foray into reminiscence theatre is an object lesson in how not to structure a play — extraordinarily for a playwright who has built himself a reputation on his workmanlike ability to churn them out.

Without subtlety, drama or originality he exposes the lives of four old female East Enders — a Trinidadian, a Viennese Jew, an Indian and a Cockney — to the prying tape recorder of (and here's the rub) a young returnee whose face is immediately recognisable as that of Michelle of EastEnders.

Susan Tully's role in the proceedings is as a linking device with the vestiges of a personal story to explain her presence there — except that a device should be clear and strong, and Miss Tully is patently neither. She barely seems to know how to walk on and off the stage, which is a problem, since her role calls on her to circle the neighbouring homes of the four old ladies, drawing each in turn into a description of their past and present lives.

One could go on flinging mud at this disastrous concoction, which comes complete with its jibes at unfeeling Thatcherism and its loosely tacked-on final vision of a neighbourhood under the bulldozer, but to do so would merely be taking the production on its own terms when it strikes me that there are more fundamental questions to be raised. Firstly, isn't it about time the Theatre Royal ventured beyond Foxall again, since, however capable he has proved himself previously, the project shows all the signs of a tired partnership?

Arising from this, isn't it about time the theatre as a whole moved on from its endless portrayals of the rape of the East End — a dead-end from which even the skills of such as Miriam Karlin, Barbara Assoon and the marvellous Zohra Segal cannot, on this occasion, save it.

Claire Armitstead

ARTS GUIDE

May 19-25

THEATRE

London

Hamlet (Olivier). This picturesque Renaissance revival by Richard Eyre for the National Theatre is a disappointment, though Daniel Day-Lewis may improve with experience in the role. Judi Dench is a muted Gertrude, Michael Bryant a superbly busy and dangerous Polonius. Fullish text, but no emotional or intellectual fire. May 25-June 1 (928 2252).

The Black Prince (Aldwych). Ian McDiarmid gives the performance of a lifetime in Iris Murdoch's distillation of her own Hamlet novel. Witty black farce, vitriolic and entertaining (836 6404).

Ghetto (Olivier). Brilliant National Theatre version of Joshua Sobol's Israeli play about the last days of the Vilna ghetto and its resident theatre company. Moving and shocking. Nicholas Hytner directs, Bob Crowley designs, good music arranged by Jeremy Sams. May 24 (928 2252).

King John (The Pit). Deborah Warner's RSC revival reveals a near-masterpiece, hitherto ignored. Worth queuing for, even at the Barbican. May 26, 27-30 (638 8891).

The Tempest (Barbican). Magisterial RSC revival directed by Hytner, with John Wood returning in triumph as the most complete Prospero of our age. Refreshingly unlike mainstream RSC work of late. May 19-27 (638 8891).

Single Spies (Queen's). The highlight of Alan Bennett's double bill is a comic confrontation between Prunella Scales as Her Majesty the Queen and Bennett himself as Anthony Blunt in the royal picture gallery. (734 1166).

M. Butterfly (Shaftesbury). Anthony Hopkins as the tortured diplomatic hero in a Peter Shaffer-style "spectacle of ideas" dressed up in John Dexter's superb production as a metaphor of homosexual life. The transvestite tragedy proves less electrifying than in New York; the play is not very good but still worth seeing (379 5399).

A Walk in the Woods (Comedy). Alec Guinness and Edward Herrmann in feeble off-duty arms negotiation encounter by Lee Blessing. Guinness, back on the London stage after 10 years, is in subtle virtuoso form as the Soviet veteran of tactical stonewalling and no-dealing tricks (930 2578, cc 839 1438).

Brigadoon (Victoria Palace). 1947 Lerner and Loewe "heather-scented" Scottish fairytale hit is handsomely revived and well sung, less frail than expected (834 1317, cc 836 2428).

The Vortex (Garrick). Maria Aitken and Rupert Everett in brilliant reappraisal by Philip Prowse of Noel Coward's 1924 study of drug addiction and mother fixation. Mannered, excessive, beautifully costumed. (379 6107, cc 741 9999).

Henceforward (Vaudeville). Ian McKellen and Jane Asher in bleakly funny and experimental Alan Ayckbourn comedy of future shock and strained marriage. A tale of obsession, devotion, computer music, women as robots, gangs on the streets and a tug-of-love (836 9987, cc 741 9999).

Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn, a cast of unknowns project the right sense of sybaritic insouciance. A probable, but unspectacular, hit (839 5972).

Icecream (Royal Court). Caryl Churchill's new play is a dense 70-minute meditation on a transatlantic misalliance between two Americans and their distant English relatives. An intriguingly murderous exercise in style, directed by Max Stafford-Clark (730 1745).

King Lear (Old Vic). Eric Porter in titanic and lyrical form in Jonathan Miller's production. Paul Rogers is Gloucester, Gemma Jones and Frances de la Tour are Goneril and Regan. The lighting has been described as either murky or a calculated sop to 17th century Tenebrist painting (928 7616, cc 261 1821).

Ivanov (Strand). Alan Bates and Felicity Kendal lead a new ad hoc classical company in Chekhov's first play, translated by Ronald Harwood, directed by Elijah Moshinsky. Bates interestingly renders the critical suicide a Simon Gray character (836 1660).

New York

Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 6200).

Lend Me a Tenor (Royale). A sprucing up in the set of a decaying town's big time opera ambitions makes a transatlantic hit of this farce, first produced in London, but now with a local cast led by Philip Bosco and Victor Garber (239 6200).

Shirley Valentine (Booth). Pauline Collins brings her West End triumph to Broadway in Willy Russell's amusing and touching story of a Liverpool woman's awakening in the Aegean Sea. Simon Callow again directs without smoothing any of the Northern English edges that retain an authentic touch.

Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of a three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, including On the Town, West Side Story and Gypsy. The lustre of the credits is dimmed by the brevity of each piece, with a contemporary crew of Broadway aspirants who lack the multi-talents that inspired the heyday of the musical.

Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Christine Baranski leads an ebullient cast in the inevitable but disappointing hit.

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions (239 6200).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (947 0033).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Washington

American Juke Box (Ford's). Music from the 1950s and 1960s is performed by a dozen-strong ensemble directed and choreographed by Edward Love. Ends May 28.

Sophisticated Ladies (Kennedy Center Opera House). The first Soviet-American co-production of a Broadway musical features an energetic cast dancing and singing to a Duke Ellington score highlighted by Satin Doll and Take the A Train. Ends May 27 (254 3770).

Chicago

Driving Miss Daisy (Briar Street). The touching relationship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades (348 4000).

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

Tokyo

Kabuki. Kabuki-za Theatre (541 3131). The main work in the matinee programme (11am) is often known as the *Women's Chushingura*; because of its resemblance to the famous story of the vendetta of the 47 loyal samurai. One of the pieces in the evening programme at 4.30pm, *Sesshu Gappo ga Tsuji (Gappo and his daughter Tsuji)*, was banned as late as 1937 for its immorality.

Bunraku. Laforet Museum, Harajuku (406 1251). Japan's sophisticated puppet theatre, featuring scenes from Kanadehon Chushingura, based on the famous true story of the 47 loyal retainers (Wed, Thurs at 2pm and 7pm).

The Phantom of the Opera. Nissei Theatre (045 903 5701). This excellent production (in Japanese) is a carbon copy of the London original.

Blues in the Night. Theatre Apple, Shinjuku (587 5444). Musical revue from off-Broadway, featuring black music of the 1920s and 1930s. In English.

Summerfolk

MINERVA STUDIO, CHICHESTER

This confident, sinewy production of Maxim Gorky's dissection of a Russian country estate gathering of "summer visitors in their own country" makes an auspicious launch for the Chichester Festival's new Minerva Studio. Sam Mendes' direction keeps the characterisations clear, lines of communication uncluttered. Gorky comes over not as a rougher-hewn Chekhov, as so often, but, in Michael Robinson's new translation of the version by Botho Strauss and Peter Stein, as an abrasive recording angel with a distinctive and individual anger to his vision of these "superfluous people".

At first this *dacha* recalls Chekhov with the sleeves rolled up, a few barely perceptible notches down the social scale. Here are "children of workers and washerwomen" now "dying of boredom and excess", galvanised merely into panicky procrastination by the news of a possibly fatal disaster on the building site supervised by one of their number. An intelligent new class of professionals with knowledge of the workers nevertheless succumbs to the inertia of the traditional landowners. The engineer's manifesto puts it concisely: "We've known enough of poverty. We want to enjoy the good life. I *like* being an average citizen — and I couldn't care less about your talk, your challenges, your ideals."

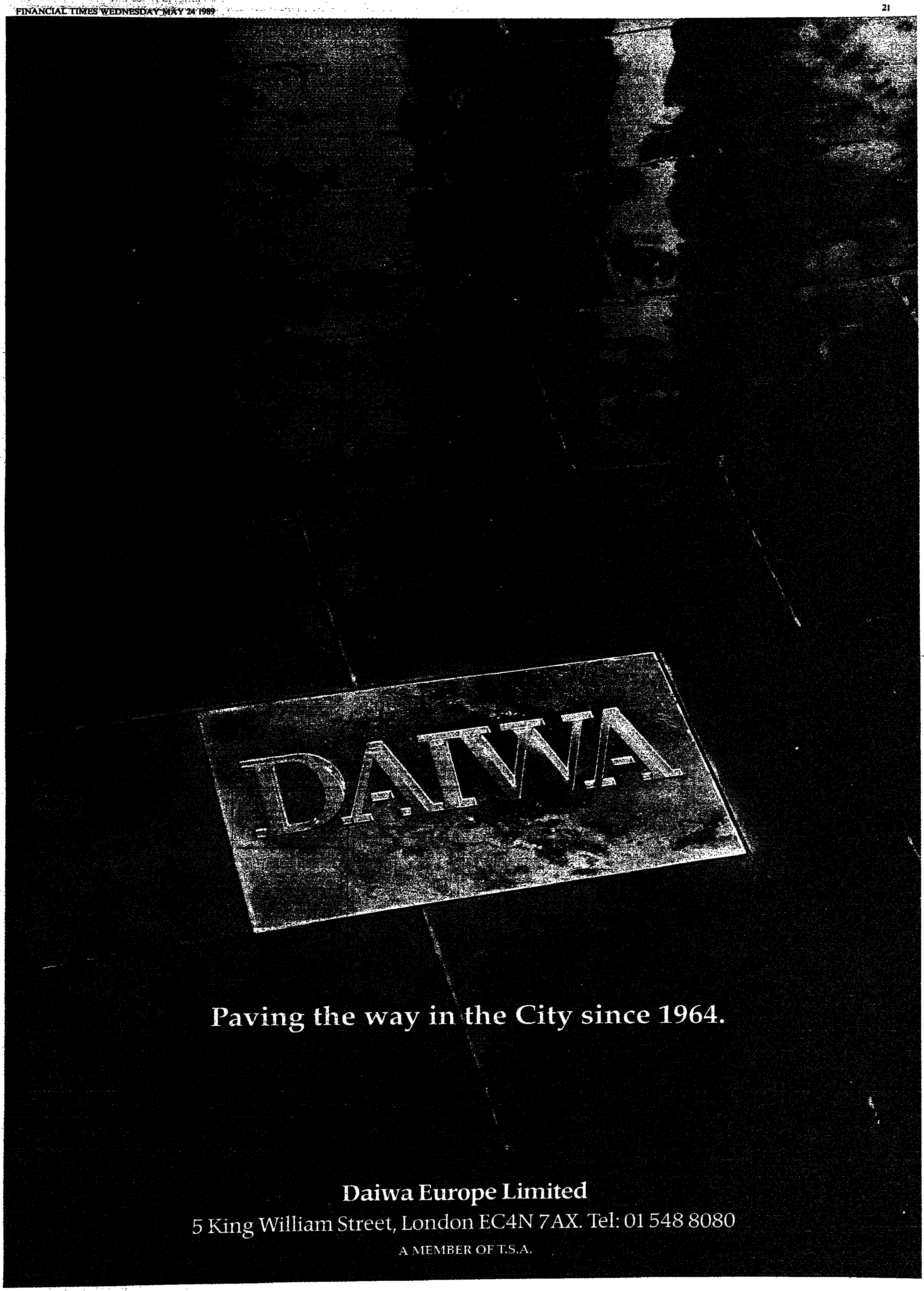
The Minerva's company fleshes out the Russian types with highly promising young actors as well as some established names. In the semi-round, Paul Farnsworth's airy design, backed by a canopied pavilion supported by slender posts, provides an arena for adulterous wife, humiliated husband, languid celebrity, lovesick admirer, ineffectual idealist, family-obsessed little wife ("My soul is probably a mass of wrinkles already") and others recognisable not just from Chekhov but from the great Russian tradition of indulgent self-analysis of the privileged that goes back to Turgenev and further.

There are, however, creations all Gorky's own, especially among the women. The feminist slant emerges clearly. The woman doctor is beautifully played by Dearbhla Molloy, the slightly priggish mouthpiece of liberal principle. The cuckolded engineer, personal unhappiness compounded by career-consciousness, is made by the ever-watchable Dermot Crowley a harassed, bibulous first cousin of his recent *pòete maudit* in *Hedda Gabler*.

Caroline Loncq makes a stylish and complex figure of the half-reluctant unfaithful wife; complex too is Sam Graham's lawyer's clerk infatuated with an older woman. Only Lesley Sharp, so good in new writing, is flat and over deliberate in style.

The daylight scenes are dominated by the white, cream and beige of the costumes; clothes, like the action, darken (formal evening dress) towards the end of the play. This is a strong, encouraging beginning for the Minerva; and a bold choice for Chichester.

Martin Hoyle


DAIWA
Paving the way in the City since 1964.
Daiwa Europe Limited
5 King William Street, London EC4N 7AX. Tel: 01 548 8080
A MEMBER OF T.S.A.

FINANCIAL TIMES

NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 01-873 3000 Telex: 922186 Fax: 01-407 5700

Wednesday May 24 1989

Where Europe is leading

A GRADUAL erosion of national sovereignty is inherent in membership of the European Community. This was accepted by the British Government when it signed the Single European Act two years ago. It is also implicit in many of the propositions contained in the Conservative manifesto for the forthcoming elections to the European Parliament, as it is in the Labour Party's platform. Yet the idea of a federal or united states of Europe is rejected by both parties. This is understandable in domestic political terms, since such a concept would not be universally popular. The similarities between the parties do not end there. Both see some environmental problems as pan-European. Neither is ready to join the exchange rate mechanism of the European Monetary System (either the time or the conditions are not right); both are opposed to full monetary union or a complete harmonisation of value-added tax. Both adopt what Mr Michael Heseltine has called an *a la carte* approach to what the EC has to offer.

United front

The differences between them are, however, of greater significance. Unlike the Government, the Labour Party has this week managed to present a (more or less) united front. This is in itself remarkable for Labour. It is doubly remarkable in the present case, since under the leadership of Mr Neil Kinnock Labour has moved from outright hostility to the EC to a wholehearted embrace of the opportunities it now perceives in pursuing what Mr Jacques Delors has offered under the label social dimension. Mr Kinnock's manifesto allows plenty of room for British opposition to specific elements of EC policy – as in seeking further reforms of the common agricultural policy and the community budget – but it also welcomes Commission proposals on workers' rights and social conditions. In this way the Labour Party is attempting to become the party of Social Europe, while simultaneously professing enthusiasm for the economic opportunities inherent in a single market. Its problem, as a recent convert, is to convince the electorate that it means what it is now saying.

No one will doubt that the Prime Minister means what she is saying. The difficulty for the Conservatives is that her speeches and off-the-cuff remarks are conveying the very aura of hostility to the EC that Labour has abandoned. The record proudly recited by Mrs Thatcher on Monday includes the many positive achievements of her Government, including reform of both the CAP and the budget, and most notably her successful encouragement of the deregulatory spirit of 1992. This is to her credit. The trouble is that her attacks on the "bureaucrats" and, in her more extreme moments, "Marxism", of Brussels give an overall impression that can only confuse rank-and-file members of the Conservative Party, which has regarded itself as uniquely the party of Europe. The recent actions of the Government, which amount to a crusade against practically any initiative that comes from Brussels, do not sit well with a manifesto whose spirit is broadly supportive of the single market and its evolution.

In an ideal world the voters would judge the party programmes on their merits and decide accordingly. In reality the likelihood is that turnout will be low (it fell below a third last time), even though the Strasbourg parliament has gained in both stature and real power to influence events. Past experience suggests that those who do take the trouble to vote are more likely to be expressing an opinion on domestic matters than on the parties' approaches to the EC. In the present climate of opinion this should work in Mr Kinnock's favour.

Loss of seats

It would be ironic if the Conservative Government that speaks in its manifesto of establishing "a new international orthodoxy" in economic affairs were to lose seats as a result of its own internal divisions about the EC, made worse by a bout of mid-term blues – particularly if that loss were to contribute to a loss of the slim overall conservative majority at Strasbourg.

The limits of 'globalisation'

MUCH exaggeration has been spoken and practised in the name of "the globalisation of markets" since the concept first burst on the fashion-conscious business world six years ago this month.

Some of the worst offenders have been multinational manufacturers and suppliers of consumer products and services, taken in by the notion that most markets in the industrialised world are undergoing an irrevocable process of homogenisation, and that national differences are declining.

The reality, already grasped and acted upon by powerful Japanese competitors such as Nissan in cars and Matsushita in consumer electronics, is that while some market segments are indeed globalising – or capable of being moved in that direction – others are shifting the opposite way, towards fragmentation either on regional or national grounds.

There is thus no single "correct" strategy for such multinationals – the most appropriate approach varies from one product market to another. So, by the same token, does the question of whether a company needs to practise the fashionable strategy of building global scale and scope in manufacturing and distribution, with all the consequent management problems of integrating major acquisitions and running diverse global organisations.

The thinking of many consumer product multinationals on global strategy has been driven by the advertising industry, which has been building global empires just as busily as its clients. Saatchi & Saatchi pioneered the genre, but others have since followed suit.

Agency consolidation

The most spectacular exponent is WPP, the creation of Saatchi's former finance director, Mr Martin Sorrell. By acquiring the venerable J. Walter Thompson group two years ago, WPP bought itself a ready-made semi-global advertising network, as well as a range of interests in other marketing services such as public relations, market research and design. Last week it completed the process with an even bigger coup, the acquisition of the Ogilvy Group, the world's fifth largest advertising agency, which also has extensive interests in other marketing services.

The Ogilvy deal will certainly give the group even greater media buying power – one of the few proven justifications so far for agglomeration in advertising. But few multinational clients of both agencies' networks appear to see any more benefit in this latest round of agency consolidation than they did in the last one.

Advertising needs

Mr Sorrell has been careful not to hype the supposed benefits of globalisation and "world brands" as hard as Saatchi. But his strategy is still very much one of global spread – as it has been for Omnicom, the world's fourth largest agency group, which last weekend emerged as a white knight for Boase Massimi Pollitt, a UK agency facing a hostile bid from France.

Yet, even in the satellite age, not every international client has the global advertising needs of Coca Cola, McDonald's or Levi jeans; if they do, they may prefer to go to an agency which is skilled enough to create a global campaign without all the complexities of a worldwide branch network.

Clients' behaviour suggests that most of them are equally doubtful about the supposed benefits of "one-stop shopping" for advertising and other marketing services from the same agency group. Saatchi, WPP and others have produced some evidence of such "cross-referral", but its extent is still limited.

Defending WPP's move on Ogilvy, JWT's chief executive last week likened it to the way that manufacturers have for years bought competing brands to build market power. The difference is that manufacturers have created considerable synergy behind the scenes, using common components for different branded products, developing those products in common, and often making them in the same factory.

So long as mega-networks of agencies shy away from such extensive integration – which they must if they are to avoid losing customers because of clashes of interest within the network – their case for global scale and scope is at best unproven.

David Marsh on the mood as West Germany celebrates its 40th anniversary

The magnetism of the East

As Soviet troops rampaged through conquered Berlin in May 1945, Mr Wilhelm Vocke, the ex-Reichsbank director who was to become president of the first post-war West German central bank, saw that the Russians were making fundamental mistakes.

As he wrote years later in his memoirs: "If the Russian army leadership had provided for two things – discipline of the troops towards the civilian population and freeing some of the large German army supplies in Berlin to feed the hungry population – the whole of Berlin would have fallen at their feet. Instead, they turned everyone against them, the poor and the rich. With yearning, we hoped for the arrival of the Western allies."

Clearly it would be an exaggeration to see the present easing of superpower tension and the reforms of Mr Mikhail Gorbachev as reversing the sequence of events which between 1945 and 1949 led to the formation of two German states, one turned firmly to the US, the other to the Soviet Union. Yet today's commemoration in Bonn of the 40th anniversary of West Germany's Basic Law or constitution will be an occasion of mixed emotions.

The most humane, democratic and prosperous state ever to exist on German soil is looking back with pride at its accomplishments. But, partly because of their achievement in meeting material goals which in 1949 were mere dreams, the Germans are increasingly dissatisfied with the established political order at home and abroad.

West Germany is rich, but restless. The division of Europe resulting from post-war US-Soviet confrontation ensured the Federal Republic's economic success while simultaneously marking the political failure of the German nation. Four decades later, a stronger and more self-assertive West Germany is seeking a new role in which its strategic interests and policies are no longer automatically tied to those of the rest of the West.

A prime reason for the country's growing ambivalence about its place in the world is that the Soviet Union – in contrast to the Red Army in Berlin in 1945 – is behaving more like a potential partner than a military threat. The Germans see in Mr Gorbachev a historic opportunity for breaking down East-West barriers. They also hope his advent will, eventually, make it possible to broach the question of German reunification, which is nearer the forefront of German consciousness than it has been at any time since the 1950s.

But the currents from the Kremlin also risk disrupting the forces which for 40 years have anchored the Federal Republic to the West and maintained an unusually long period of peace and stability in central Europe.

German discontent with Nato has come to the surface in the dispute between Bonn and Washington over short-range nuclear weapons, but this is just one symptom of wider changes in the delicate relationship with the US. The trend has been accompanied by fragmentation of the popular vote in West Germany and a series of electoral gains by left-wing and right-wing radical parties which threatens to break the pro-Western mould of German consensus politics.

Echoing the disenchantment with dependence on America, the country's most respected elder statesmen, ex-Chancellor Helmut Schmidt, now talks almost as if Germany could start to wander away from the West. He sees France, not the US, as carrying the main burden of keeping the Germans in the Western camp.

West Germans are more and more dissatisfied with the political order at home and abroad.

Mr Schmidt says that if France is worried about the Federal Republic's Western ties, French politicians should realise that France, as a neighbour, can bind Germany far more closely and permanently than a President from Texas or California.

Mr Gorbachev is to visit West Germany in about a fortnight's time, a week after President George Bush makes his inaugural trip to the Rhine. For the first time since the end of the Second World War, the leaders of the two superpowers will be competing, almost on equal terms, for a hold on German public opinion.

The Soviet leader has assuaged traditional German fears of Communist expansion by seizing the initiative over disarmament in the wake of the 1987 agreement to scrap medium-range nuclear arsenals in Europe. By bidding for economic co-operation with the West, Mr Gorbachev has also appealed to German industrialists' traditional interest in business dealings with Russia.

Mindful that Moscow – through its grip on East Germany – possesses the vital card in the poker game over German reunification, one Western ambassador in Bonn says: "Germany and Russia are like a chemical experiment waiting for the right ingredient." Bringing together the two parts of Germany is not on the agenda at the moment – and may not be for a very long time. Beset by his own internal and external political problems, Mr Gorbachev is in no mood even to hint at unravelling the German Question. But the theme – and Moscow's long-term potential for steering together East and West Germany on terms which suit the Kremlin – can hardly fail to seize the German imagination.

Lack of nationhood preoccupies many Germans. Mr Berthold Hütten, an Anglophile teacher, recalls his goose-pimples as he stood some years ago among flag-waving crowds singing Rule Britannia at the Royal Albert Hall. "I thought, 'Who am I? What are we Germans? We have no identity'," he says.

For the dignitaries at today's commemorative ceremony in Bonn and for thousands of Mr Hüttens up and down the country, it will not pass unnoticed that the preamble to the Basic Law sets down the reforging of "state unity" as West Germany's overriding political goal.

In a changing international environment, examination of exactly where Germany's interests lie has been considerably muddied by irresolution and bickering in Chancellor Helmut Kohl's coalition as well as by a revival of polarised arguments over Germany's Nazi past.

Mr Hans-Dietrich Genscher, the Foreign Minister, a remarkably consistent performer in keeping open Germany's eastwards-facing options, bases his opposition to new nuclear weapons in Europe partly on the need to heal the wounds caused by Hitler's aggression. The short-range missiles which the US and Britain want to introduce in the mid-1990s would be targeted not only on East Germany, but also on the Polish and Czech peoples who suffered "such endless sorrow" during the Second World War, Mr Genscher told the Bundestag last month.

As a counterpoint to this liberal soul-searching, the right is becoming increasingly hostile to what it considers Germany's undue post-war submissiveness. The far right is trying to whip up unrest over West Germany's large payments to the European Community. It is also campaigning against large-scale immigration of Third World refugees, who are entering the Federal Republic under an open-ended asylum clause inserted in the Basic Law as a direct consequence of the murder of 6m Jews under the Third Reich.

The right seems likely to block any question of a conciliatory visit to Poland on September 1 by President Richard von Weizsäcker, on the 50th anniversary of the outbreak of the Second World War. The number of anniversaries in Germany is overdone, says Mr Martin Mussgnug, a burly lawyer who is chairman of the ultra-right National Democratic Party.

He is one of the forces behind a well-financed far-right campaign for next month's elections to the European Parliament. "People say we should stop throwing mud at ourselves. It's as if you're always reminding someone of the sins he committed in his youth," he says.

In spite of 40 years of stability, German politicians, officials, industrialists and trade unionists constantly pepper conversations with warnings of Germany's real or imagined democratic failings. Mr Ernst Breit, leader of the Trade Union Federation (DGB), believes high German unemployment – stuck at over 2m since 1983 – is at last spilling over into a voters' revolt against the established parties.

Mr Tyll Necker, head of the Confederation of German Industry (BDI), says that German society cannot afford conflict of the sort seen in Britain during the 1984-85 miners' strike. "England is an older democracy."

Mr Johannes Gross, a well-known conservative commentator, has delivered a damning indictment of the indecisiveness, inflexibility and complacency of the German political system in a book published to coincide with the 40th anniversary. Citing the dispute with the US at the beginning of 1989 over German companies' participation in building a Libyan poison gas factory, Mr Gross says: "Our foreign politicians, (Foreign) Minister and Chancellor, are well known in the world – but are they respected?" He writes that the exceptionally strong US criticism of Germany over the Libyan affair would have been inconceivable under the first post-war Chancellor, Konrad Adenauer. "The prestige of our country abroad has developed in inverse proportion to our gross national product," Mr Gross concludes.

'England is an older democracy. It can afford more violent manoeuvres than we can'

In recent months the US press has been full of tirades against alleged German unreliability within Nato, accompanied by mutterings about the dangers of German-Soviet entente. In a not uncommon expression of disdain for US views, one senior board member at a large German chemical company says the diatribes largely reflect the work of New York Jews. Chancellor Kohl himself maintained that US anti-German comment over the Libyan affair mainly reflected American fears about the competitive prowess of the German chemical industry.

Mr Alfred Biolek, a TV entertainer and show compère, who was a post-war refugee from German-speaking Czechoslovakia, recently visited Moscow to discuss setting up a cultural rendezvous for artists and speaks of German susceptibility to the "Russian soul." He classifies the German relationship with the US as "a form of pseudo-hate," but adds: "We know we cannot do without them."

For others, signs of breakdown in US-German understanding are more worrying. In a front-page editorial earlier this month, the Frankfurter Allgemeine Zeitung, the country's foremost conservative newspaper, said West Germany risked leaving the Western "security net." It warned in unusually dire tones of growing anti-Americanism among West Germany's young generation, one of the prime sources of support for the emergent far-right.

The paper asked plaintively: "How will they adjust in the future – quarrelling with the West, insecure in the face of the continental power to the East, unsatisfied on the national question, politically frustrated, eternally unsettled, fearing everyone and feared by many?"

West German industrialists like to say that US concerns about German industrial and technological links with the Soviet Union are usually wildly exaggerated. Bayer, the chemical giant, points out that it does more business with Denmark than with Russia. None the less, one leading company-chairman confesses: "The markets in the East are a temptation for us."

Mr Edzard Reuter, chairman of Daimler-Benz, and one of the top businessmen aiming to meet Mr Gorbachev next month, talks of praying for the Gorbachev experiment to succeed – a far more emotional approach to the Soviet Union than would be adopted by a captain of British or French industry.

A senior official at the Bonn Foreign Ministry admits that the British and French Governments say that the Germans are too romantic in their approach to the Soviet Union. He points to the irony that Moscow can throw a large part of Western policy off balance simply because it is less of a threat. He adds: "No one can think the Germans are so stupid as to give up their newfound ties to the West."

But the Federal Republic's problem on its 40th birthday is that its neighbours and allies *do* think that, at some stage in the future, rapprochement between Germany and the Soviet Union will be on the cards again. The reasons have less to do with German foolishness or otherwise than with the tidal pull of history, geography and emotion. These are forces which the West finds it difficult to analyse, let alone to master.

OBSERVER

Prize worth winning

■ The UK's largest literary prize for a single book will be handed over tomorrow at London's Savoy Hotel. The NCR award, sponsored by the computer manufacturing company to the tune of £25,000 for the winning book and £1,500 for each of the runners-up, is for "non-fiction."

Note non-fiction. *Ergo* note NBP – Not the Booker Prize. It occurred to NCR, as it occurs to anyone with an open eye for current English literature that travel books, sport, business books, history, natural history and contemporary affairs can register as much serious criticism – and cash – as the novel.

Two biographies, A. N. Wilson's Tolstoy, and a life of T. E. Lawrence by Malcolm Brown and Julia Cave, are up for the award this year. "We live in a golden age of biography – an astonishing number of literary biographers, in particular," says Michael Holroyd, biographer of Lytton Strachey, Augustus John and, currently, Bernard Shaw.

Autobiography blended with the spirit of place makes an attractive read, too: the late David Thomson's Nairn in Darkness and Light won the first NCR award last year. The 1989 shortlist of four, whittled down from nearly 200 entries, includes Joe Simpson's Touching The Void, a tale of travel and survival in the Peruvian Andes. Stephen Hawking's A Brief History of Time also looks a strong runner.

Rex Fleet, NCR's chairman, prefers to stand back from the delicate business of judging: "If somebody sees a book in a bookshop window with the sticker "NCR winner" on it, and asks, "What's NCR?" the purpose of our sponsorship will have been achieved," he says.

Paris as well

■ London is not alone in its transport stoppages. Rail traffic in Paris's eastern suburbs came to an almost total standstill yesterday in the second day of protest strikes which have followed an assault on a conductor on Sunday. This time the strike affected trains coming into the Gare de l'Est, and some to Saint Lazare; a few weeks ago trains into the Gare du Nord were stopped, again following an assault on a conductor.

Violence on trains was an estimated 20 per cent higher in the first quarter of the year than a year earlier, and railway personnel are protesting at cuts in policing staff.

In London yesterday tempers were notably shorter than during the previous strike a week last Monday. It is easier to get around if the busmen are on strike as well, as yesterday they were not.

James the Bold

■ One of my colleagues arrived in Shanghai yesterday and was just descending from the aircraft, ahead of everyone else, when a strange white figure came rushing up the steps. "There's a revolution going here," he said, "and the BBC is filming it."

The man had been in Shanghai for a week making a programme on great cities of the world, but he wanted to be filmed stepping out of the aircraft into the thick of it. It was Clive James, the well-known broadcaster."

Motorola's way

■ At least one US company knows how to do business the Japanese way. Motorola Inc, the company at the centre of a nasty telecommunications tiff that could see punitive tariffs lumped on Japanese products from cosmetics to copiers, has apparently decided that when in Japan one talks only to the "kisha club."

That is the coterie of Japanese correspondents who do their business behind closed doors and in tandem with the government department they write about. A Nippon Motorola spokesman said the visiting chief executive officer, George Fisher, had no time to talk to foreign correspondents, and that even the details of his schedule in Tokyo are a company secret.

Fisher talked directly to members of the kisha club attached to Japan's Ministry of Posts and Telecommunications (MPT), which has so far refused to give the US company the radio frequencies needed to run a mobile phone system in Tokyo.

According to a transcript of his briefing for the Japanese journalists, he explained that Motorola plans to be a "good guest" in Japan, and he showed a spirit of compromise characteristic of the competing factions in the ruling Liberal Democratic Party: "We have promised the MPT we will work with an open mind and in the true spirit of co-operation with our ultimate result being a friendly resolution and a good subsequent working relationship."

Garden risks

■ Gardening accidents from lawn mowers and electric hedge trimmers you would expect in plenty. The British Agrochemicals Association 1988-89 reveals in its latest annual report, however, that all sorts of other dangers are lurking.

Using data from the Department of Trade's consumer safety unit, the report notes that 194 people were injured by deckchairs in 1987, while another 67 went down to wheelbarrows. A further 59 people fell foul of flower pots and 27 were laid low by plant tubs. Watering cans accounted for another 10 injuries and garden rollers for four. Even the humble seed tray claimed three victims.

King's machine

■ There is a wonderful new machine in the Northern Ireland Office, known as the video conference, which enables Tom King, the Secretary of State, and his officials to speak live on screen to their colleagues, from Stormont to the London Office and vice versa. The machine is thought to be bug-proof, and King says that it has made his life considerably easier.

Peter Walker, the Welsh Secretary, has also secured one for video dialogue between London and Cardiff. Malcolm Rifkind, the Scottish Secretary, seems to be still on the waiting list and so far there is no hint of putting anything so modern in the Foreign Office.

Deep waters

■ Brazilian proverb: "In a river with many piranhas, the crocodiles swim upside down."

When radio was discovered at the beginning of the century, there were plenty of frequencies around for anybody who wanted to use them, so governments gave them out free.

Now, however, advances in technology and new ideas for services that can be transmitted across them – television programmes, mobile phone conversations, the communications needs of the armed forces and much else besides – mean that what once seemed a plentiful resource is scarce.

Nowhere are these pressures being felt more acutely than in Britain, where the Government's free market approach has encouraged the flowering of new ideas for services, many of which cannot get started because the air waves are already crowded.

At present roughly a quarter of the radio spectrum is being used by the armed forces and a further quarter goes for shared civil and military uses such as air traffic control. Of the remainder, 13 per cent is used for broadcasting, 30 per cent for fixed telecommunications links and 6 per cent for mobile communications.

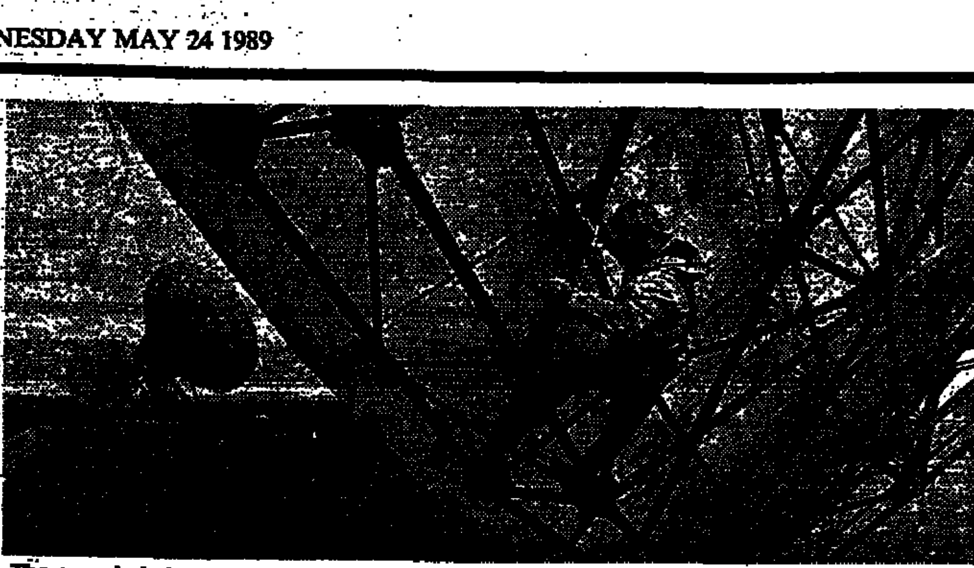
The resulting shortage is "rather like queuing for bread in Eastern Europe. You are in the queue and, once they have run out, they have run out," says Janice Hughes, a consultant at Booz Allen who has advised the Government on the air waves in the past.

The Government is therefore examining seriously the possibility of auctioning off the air waves to the highest bidders instead of giving them away. Ministers at the Department of Trade and Industry, which is responsible for managing the spectrum, are at present thrashing through the options and the matter is expected to be discussed in Cabinet shortly. A consultative document may follow soon after.

Selling the air waves would be one of the most radical steps to be taken by an already radical government.

On one level, it could turn out to be its largest privatisation. Professor William Gosling, technical director at Plessey, the electronics group, estimates that an auction could eventually generate £10bn in revenue each year. That would be enough to pay half the nation's health bill.

On another level, selling the air waves could unleash competition in parts of the telecommunications and broadcasting which are still protected. It could allow companies to build telecommunications networks to rival British Telecom out of radio links or to broadcast new television channels.



The crowded air waves: satellite transmitters beam services across the spectrum

Putting a price on the spectrum

Hugo Dixon on the difficulties the Government may encounter in auctioning off the air waves

Advocates of a free market argue that the present system is inefficient. Civil servants decide which services the spectrum should be used for, how many players there should be in each market and who they should be. Critics say the present system has the following drawbacks:

● It places a high premium on companies' lobbying skills rather than the efficiency of their management, because the key thing is to wring a licence out of the DTI. As a result, those who win the "beauty contests" may be the wrong ones and those who lose often nurse a sense of injustice.

● The Government may choose the wrong number of companies to provide a service. If it picks too many companies, there is overcapacity; if it picks too few, an oligopoly develops to the detriment of consumers. In cellular communications, the decision to license only two players – Racal Telecom and Cellnet, a BT subsidiary – has given both a licence to print money. As a result, Racal Telecom, a company only four years old, now has a market capitalisation of £4.5bn.

If companies were free to use the spectrum for whatever services they wished, each industry would find its natural size.

● The Government may give priority to the wrong services, leaving the spectrum clogged with services people do not want. And the Government itself – which uses about half the spectrum for a variety of defence and civil uses – is sitting on large chunks of spectrum that critics say it does not really need.

There would be no such problems if there was a free market, because the air waves would be used by the most economically beneficial services. Services for which there was little demand would not be able to afford to buy spectrum.

● Users have little incentive to invest in new technology which could cram many more services onto the spectrum, because they get it for free.

However, if organisations had to pay for the air waves, they would have an incentive to economise on their use by spending more on technology. Congestion would be eased.

Switching to the free market would have its own drawbacks, however. The Government would almost certainly have to steel itself to howls of protest from existing users who would be asked to pay for something they now get for free. And in the public sector, the armed forces could suggest that national defence was being compromised, the police might argue that their fight against crime was being hampered and the ambulance services might say lives were being endangered.

Another implication of a totally free market in the air waves is that it would necessarily result in further liberalisation of telecommunications and broadcasting policy. The Government could not sell spectrum to the highest bidder and at the same time insist that there should only be five television channels and one competitor to British Telecom. The free market is unpredictable. It might throw up 20 TV channels or half a dozen rivals to BT.

Some argue that the Government should not be interfering with these industries at all. "To get flexibility of use, you need to deregulate both broadcasting and telecommunications," says Philippa Marks, an adviser to the New Zealand government, the only other nation with plans to auction off the air waves. But, although the UK government has a strong theoretical commitment to *laisser-faire*, the signs are that it does not want to give up control of what it sees as important areas of policy.

Even if these doubts were put aside, the Government would need to overcome two defects in the free market approach.

First is a concern that a few large organisations – the most feared being British Telecom – might monopolise their markets by buying huge chunks of the spectrum. Some argue that relying on the general competition legislation would not be enough and that a tougher approach – on the lines of the laws used to curb excessive concentration in the newspaper industry – would be needed.

The second concern is that selling the air waves would make it difficult to co-ordinate their use internationally. In particular, recent moves to develop pan-European services – the most impressive being a plan to launch a cellular system which would allow people to drive across Europe using the same car phone – could be stalled.

It is, of course, possible to argue that the market will co-ordinate itself if the benefits of integration are that great. And this might be satisfactory, if there was not also a danger that organisations owning parts of the spectrum needed to dovetail with pan-European plans might hold their competitors to ransom by charging outrageously high prices.

One answer could be to give the Government the right to force spectrum-owners to sell their air waves if they were needed for international projects. This would be analogous to land law, under which the Government can force recalcitrant farmers who are holding up the development of a motorway to sell their land.

All these considerations point to the likelihood that the Government will initially not go the whole hog of launching a totally free market in the air waves, but will start off with a more modest reform.

In particular, it might decide to exempt the public sector from paying for the air waves to take the sting out of criticism from within Whitehall. It might also retain the right to determine which parts of the spectrum were used for which services and so keep control over sensitive aspects of telecommunications and broadcasting policy.

Even so, once the course had been set, there would be an almost inexorable drive to yet more liberalisation. If the private sector was paying billions of pounds a year for its share of the spectrum, it would not be long before the public sector was also charged. And, if some industries were prepared to pay more than others for equivalent parts of the spectrum, the Government would be under great pressure to transfer air waves to the industries that paid the most.

If and when the initial reforms are eventually announced, they may look like an evolution. But as with many of Mrs Thatcher's measures, they will probably carry the seeds of a revolution.

Investment and the public sector

The healthy discipline of private finance

By William Ryrie

Mr John Major, the Chief Secretary to the Treasury, has just abolished the so-called Ryrie rules with which I had something to do in my Treasury days. I wish I could congratulate him on a step forward, but the implications are not entirely clear.

Eight years ago – though it now seems much longer – the UK economy was in deep recession and the fledgling Thatcher Government, with Sir Geoffrey Howe at the Treasury, was squeezing the public sector hard. Many who felt that more investment was needed in things like telecoms, roads and rail (then in the public sector) proposed ways in which the Treasury controls over investments could by circumvented by using private money.

The Ryrie rules were drawn up to define the conditions for such financing. Given that the government could borrow at the lowest rates, anyone arguing for raising funds directly from the markets, had to demonstrate an advantage to offset the higher cost. The rules said that private finance should be allowed only if it could be shown that this would result in improved efficiency. With the Treasury as umpire, this condition was close to a veto and very little financing under the rules has taken place.

But then, if an activity is suitable for private financing, is it not better simply to move it into the private sector, outside the controls? Or can it be that the controls are actually not suitable for everything in the public sector? Should the whole public sector be subject to the same kind of controls?

In the 1950s and 1960s there was indeed a system of control which treated nationalised industries and commercial bodies differently from government departments, and regulated their finances by the return they could make on capital invested, measured by a discount rate. However, when the total borrowing of the public sector became the fulcrum of fiscal policy, the public sector borrowing requirement (PSBR) became the effective constraint on investment. The external financing limits of each nationalised corporation ensured that its borrowing conformed to PSBR objectives.

The result was that for commercial enterprises in the public sector, access to capital and investment plans were governed not by market demand for their output or profitability, but by the fiscal position of the government. This made it impossible for them to operate in a really businesslike way.

Few other countries treat government-owned companies in this way. In France and Germany, companies in the public sector are permitted to finance themselves in a commercial manner, with the government behaving as a shareholder rather than as a fiscal policeman. In France it is difficult to observe any difference in the operation of those banks which are nationalised from those which are private.

The Ryrie rules reflected the overall system of control in the UK. The system also has another curious effect: it requires a sharp distinction between bodies which are part of the public sector and those which are not. How is the line to be drawn? There is no better solution than the rule of 51 per cent. If the government owns over 50 per cent of a company, it is treated as part of the public sector and subjected to the full panoply of Treasury controls, its access to capital from the markets being treated as part of government borrowing. At 49 per cent it can be treated as part of the private sector.

Oddly enough, the frustrations created by this system were one reason why the first Thatcher Government embarked on a much more ambitious privatisation programme than they had originally planned. British Telecom was a key case. Investment was being held back by the PSBR constraint. Efforts were made to devise a system whereby BT could raise capital directly from the market outside the PSBR by means of a special profit-related bond; but the Ryrie rules killed it. So the answer was to get BT out of the public sector. This was achieved, in accordance with the doctrine, by selling 51 per cent to the public. In the real world 49 per cent is control even without a golden share – when the other 51 per cent is widely held. The sale of 51 per cent allowed the Government to classify the corporation as private but the key change was in the removal of the Treasury system of controls. That change could have been made at any other percentage.

Undoubtedly the government's privatisation programme has brought great benefits and improved efficiency; even though it was impelled partly by the artificiality of the system. That artificiality may be demonstrated still more vividly if a future Labour government transfers BT back into the public sector (and again subjects it to Treasury controls) by buying only 2 per cent of the shares.

As a rule, commercial or trading activities should not be in the public sector at all. But if that rule has to be broken, the enterprises should be regulated in as commercial a manner as possible, with the government behaving as a shareholder and requiring management to deliver an adequate return on capital. External finance should be provided by the markets (without government guarantee) on the basis of commercial performance.

The main benefit one expects from private finance is not additional money, but enterprising private management, based on risk-taking and profit-seeking. Mr Major's abolition of the Ryrie rules is part of the government's new plan for roads. However, although some roads can be managed by private companies, the question is whether this will really contribute much. After the road is built what will the manager of a toll road do all day? Private finance unaccompanied by a significant management role has the look of a device for getting round the government's own financial controls.

In any case, I am not sure whether Mr Major has really changed anything. His new criterion is that private funding should be justified by "value for money". That is substantially what the Ryrie rules said.

Sir William Ryrie, formerly of the Treasury, is now head of the International Finance Corporation in Washington.

LETTERS

UK airports policy

From Sir Peter Masefield.

Sir, Airports exist for airlines and their customers. As the first chairman of the British Airports Authority I laid down nearly 30 years ago that its obligations were "to provide adequate airport capacity to meet all requirements of civil air traffic, now and into the future."

These are no longer being *fully achieved at* Heathrow and Gatwick. Nevertheless I can understand that BAA plc, anxious to establish a profitable track record, seeks to give priority to increased aircraft movements at its still lightly used runway at Stansted; and to be able to say that no additional runway capacity is needed in the UK south-east until "the end of the century."

This attitude is fallacious. Neither Heathrow nor Gatwick now has runway capacity to meet demand at commercially desirable times of day. Spare capacity at Stansted is not a satisfactory substitute for capacity at Heathrow or Gatwick. (It is also highly inconvenient for growing inter-line traffic between airlines at those two airports.) And at least 10 years will pass between agreeing a new south-east runway site and bringing it into service.

If there were the political will, auxiliary parallel runways of moderate length could be built at Heathrow and Gatwick. Even they would still be 10 years from service. But Stansted is no substitute. Palliatives – use of the cross runway at Heathrow and safe use of the "auxiliary" parallel runway at Gatwick under improved air traffic control conditions – are possible short term solutions to be sought.

Peter G. Masefield,
Rosehill, Doods Way,
Reigate, Surrey.

Supply on demand

From Ms Soraya Betterton.

Sir, A whole page analysing the strength of the US dollar (May 13), and not a word about the relative growth of the money supply. Compare yen, Deutsche Mark and sterling M1 growth for the last 12 months: a generous 8.9 per cent, 9.1 per cent and 13 per cent respectively with the frugal dollar *rate of 1.5 per cent.* Supply is as important as demand in determining a price, is it not?

Soraya Betterton,
GT Capital Management,
50 California Street, 27th Floor,
San Francisco, California

TV in Parliament

From Mr C. Miller.

Students of politics and others who respect the British Parliament will be saddened to hear that television will finally arrive in the chamber of the House of Commons in time for the debate on the Queen's Speech in November.

While the "Right to Know" lobby cannot easily be denied, just what will viewers be shown?

Most of the work of Parliament makes for bad television: subjects too boring for producers. Television will reinforce the misconception that high-profile debates and Prime Minister's Question Time are the quintessence of Parliament.

The real work goes on in Committee Rooms and MPs' offices, yet the chamber is where MPs will feel obliged to be seen, because their constituents *may be led to believe* that absence from the benches during televised debate means that an MP is lying idle.

By promoting Parliament, television coverage will further isolate viewers from the reality of government by a combination of Parliament, ministers and the civil service working together. Government does not begin and end with one institution.

Trying to illuminate only part of one element of the policy process will only create a misleading impression. Most viewers will only see a trick of the light.

C. Miller,
Public Policy Consultants,
50 Rochester Row, SW1.

High definition denied

From Mr Mark Shurmer.

Sir, The recent West German *proposal for US/European* collaboration to develop a high definition television system (HDTV) to oppose the Japanese hi-vision system provides a clear example of ill-founded protectionism acting against the interests of the average consumer.

HDTV represents an enormous technological advance, giving pictures of much greater clarity than conven*tional television. But European* and American fears of Japanese domination of the market for HDTV products, whose worth is estimated at $40bn, has prevented agreement on a worldwide standard, thus delaying its introduction.

It now seems likely that two or three incompatible systems will be adopted – a situation *reminiscent of the current Pal/*Secam/NTSC systems divide. The adoption of differing standards has not prevented Japanese domination of the current television market – nor will it for HDTV. Rather the consequence will be higher costs to the consumer, both in terms of the cost of television sets (because the necessity of producing three types of television sets reduces the scope for econ*omies of scale* and higher programme costs), and reduction in picture quality, resulting from conversions between the standards.

Mark Shurmer.
Department of Economics,
Brunel University,
Uxbridge, Middlesex

Funded debt is still debt

From Mr Geoffrey Gardiner.

Sir, Brian Tew's remarks (Letters, May 15), about the effect on the money supply of the retirement of Government debt, indicate that students of monetary theory at Loughborough are still taught that funding of debt (disintermediation) has a healthy effect on inflation because it reduces the money supply.

Perceptive *students* will *find* it curious that the removing from the money supply to the bond market of a tranche of debt and deposits that must have a low volatility should have any worthwhile effect. Funded debt is still debt. In the case of gilts it is as quick to negotiate as a cheque, so the good effect of disintermediation can only be *trivial at best.*

At worst, the bad effects can be disastrous. Disintermediation does nothing to reduce the capital bases of the lending institutions – yet their capital bases are the key factor in determining the level of the money supply. Disintermediation of low volatility deposits and debts enables banks to replace the lost balances with *ones* which may well have a higher volatility.

Disintermediation thereby becomes an powerful instrument for expanding the effective money supply, for increasing velocity of circulation, and for promoting inflation.

Just how easy it is to expand the money supply, once a higher capital base is available, *was proved by Barclays Bank* in 1988.

Barclays' rights issue in April 1988, added to other increased capital resources, enabled the bank to expand its balance sheet by almost £17bn in 1988, to be responsible for 33 per cent of the increase in M3, to expand its UK lending by 32 per cent, and its mortgage lending by 51 per cent. All this was done while high interest rates were supposed to be controlling inflation (but were surely assisting its growth). Thanks to Barclays (to whose rights issue I confess I contributed), the dubious logic of established monetary theory has been finally exposed.

Will Professor Tew and other academic economists learn the lesson, and join in writing a new, less primitive monetary theory which is more scientific, more logical, and more willing to accept the results of the empirical tests of armchair theory?

Regrettably, the Chancellor has not learned. He has just thrown away his only potentially effective weapon against inflation: the Control of Borrowing Order, which should have been used – and only used – to control the capital bases of banks and other licensed money lenders, each one of whom assists the expansion of the money supply.

G.W. Gardiner,
3 Molly Potts Close,
Knutsford, Cheshire.

FINANCIAL TIMES
Wednesday May 24 1989

Wright plays to the cameras to avoid the lynch mob

By Lionel Barber in Washington

MR JIM WRIGHT, Speaker of the US House of Representatives, yesterday marked what may be a last desperate gambit in his efforts to save his political career.

It came in the court of public opinion, the televised opening hearing of the House Ethics committee which for the last 10 months has been investigating the Speaker's financial affairs *and recently charged him* with 69 violations of House rules.

After Republicans Richard Nixon, Robert Bork and Oliver North, this was the Democrats' day in the dock.

But Mr Wright was not present. His wife, Betty, somewhat more modestly attired than usual, sat in the aisles and listened impassively to the defence mounted by the Speaker's lawyer Mr Stephan Susman of Houston, Texas.

"Why worry about due process for a dead man?" asked Mr Susman, "why should this committee stand in the way of a lynch mob . . . I'll tell you why. Because if a member of Congress, indeed the most powerful member of Congress cannot get a fair trial, then no American can."

Mr Susman, one of those "C'mon fellahs, be reasonable" legal types from Texas, knows something about defending big pols in trouble. One of his best known clients is Mr John Connally, former Treasury Secretary, who went bust to the tune of a couple of hundred million dollars.

Mr Richard Phelan, the outside counsel hired by the Ethics committee, to investigate Mr Wright, is a different animal. He is a trial lawyer from Chicago whose flamboyant style and towering ego have earned him the nickname of "Master of Ceremonies." Mr Wright's supporters say he is out to make a name for himself – and believe he hijacked *an unsuspecting committee.*

Yesterday's hearings amounted to a rather dry duel between lawyers, an attempt by Mr Wright to dismiss the Ethics committee's finding that he tried to evade outside income limits and that he accepted gifts from Mr George Mallick, a businessman and friend for 30 years.

If the defence motion fails, many Democrats fear the pressure for Mr Wright to resign will prove irresistible – even though he is entitled to present the committee with his own defence at a later date.

Mr Susman denied that Mr Mallick helped Mr Wright financially because he had an interest in legislation. "Ninety five per cent of people in this room have a direct influence in legislation, " he said.

And he denied that Mr Mallick's oil deals, one of which led to handsome profits for the Speaker, were anything out of the ordinary. "He has been in oil deals just like I have been in oil deals and virtually every other lawyer in Houston has been in oil deals."

As he spoke, Mr Julian Dixon, the Congressman from California who chairs the committee, leant over to confer with his colleagues on the 12-stong committee. While some Democrats have accused their fellow members of treachery for bringing charges against the Speaker, Mr Dixon, 54, has pursued a meticulous inquiry which has enabled him to *escape criticism.*

Mr Wright's calculation is that television will ignite sympathy in the country, while he is all but washed up in Washington. Viewers' calls appeared mixed, apart from a woman Commerce, Texas, who said Jim Wright was "a beautiful man from the inside and the out." It may not be enough.

Storm under the French umbrella

Devaluation is threatening the Franc zone, writes **Ray Medlock**

SUMMITS of the heads of French-speaking states are usually more form than substance, representing a symbolic defence of the language and an assertion of France's influence in some 40 countries which have at least one thing in common.

Today's gathering in Dakar, capital of the West African state of Senegal, however, may have more substance than usual.

On the formal agenda are two pressing concerns – the environment and the need for further measures to tackle the problem of developing country external debt.

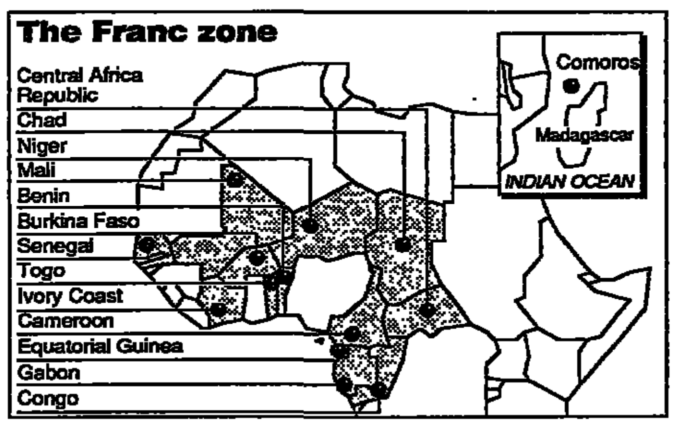
Equally pressing is an issue which, while not likely to be raised formally, is certain to come up as the delegates enjoy the facilities of a plush holiday complex near Dakar.

For a group of African leaders present, the summit offers the opportunity to discuss the severe strains in a remarkable post-colonial institution: the Franc zone, a monetary umbilical cord which ties 14 African states to France.

Member countries' currencies are linked with the French franc at a fixed rate of exchange. They hold their reserves mainly in the form of French francs. Since 1948 the rate of the Communauté Financière Africaine (CFA) to the French franc has stayed unchanged at 50 to 1. It is one of Africa's few readily convertible currencies, underwritten as it is by the Banque de France (BDF), which also acts as the lender of last resort to the two regional African central banks in Dakar (for West Africa) and Yaounde (for central Africa).

But an arrangement which served the region well in the past is now being tested. Several of the African members' economies are battling with balance of payments deficits caused by falling prices for

The Franc zone



their exports, the impact of drought, the heavy cost of servicing external debt and a host of other economic ills.

The circumstances of two leading members of the Franc Zone – the Ivory Coast, once considered Africa's economic miracle, and the host country, which enjoys closer historical ties with France than perhaps any other African state – illustrate the difficulties.

Capitalist policies and rising export earnings from coffee and cocoa fuelled the Ivory Coast's growth in the 1970s. Today the country is grappling with the combination of high external debt repayments and relatively low prices for its exports.

In Senegal, further north, the economy is in profound difficulties, hit by low prices for the main exports – phosphates and ground nuts – and the cost of debt servicing.

Both countries need assistance from France. But supporting the CFA under these adverse circumstances is an increasing burden for the Banque de France, for the CFA members have run up a deficit in Paris.

Just how big that "overdraft" may be is a closely guarded secret. One economist in Dakar estimated that Senegal alone was in deficit at the BDF to the tune of between 90 and 100,000m CFA ($294m).

"Côte d'Ivoire's deficit must be three or four times that figure", the economist added.

According to one senior French official involved in African affairs, the total monetary activity of the CFA zone countries only represents 2 per cent of total franc circulation. But the CFA zone deficit is still considered by some analysts unsustainable, especially as French trade with Africa – the advantage of the relationship from the French business viewpoint – has been in decline this decade.

French exports to Africa fell from some 14 per cent of total French exports in 1981 to about 8 per cent in 1987. Imports to France from Africa also fell in the same period – from 8.6 per cent of total imports to 5.5 per cent.

French investment in Africa has also been declining. According to Senegalese Finance Minister Serigne Lamine Diop, fresh private investments by French companies within the CFA zone dropped from 18,000m CFA to just 2,000m CFA between 1982 and 1989.

French support for the CFA is ritually confirmed whenever African finance ministers get together in Paris, and President François Mitterrand duly said before travelling to Dakar that France would maintain its "privileged relations with Africa in general and Francophone countries in particular."

However, it is an open secret in Francophone banking circles that some World Bank and International Monetary Fund analysts think the CFA is overvalued.

A confidential United Nations analysis of the Senegalese economy said "the general feeling . . . is that the CFA is overvalued, especially if one keeps in mind Senegal's long term objective of becoming an export-driven economy." Similar comments have been made of other CFA zone countries.

Proponents of devaluing the CFA use arguments familiar to other African countries such as Nigeria or Ghana, which have substantially devalued their national currencies. The value of the CFA, say economists, does not reflect the productivity of the countries' economies.

A devaluation would encourage exports by cutting their dollar price and discourage imports by raising CFA prices on the domestic market.

However, there are powerful political arguments against devaluation, including the problems many fragile regimes would face were they to hike the prices of imports for urban dwellers.

There is also the complex matter of if, when and by how much to devalue in the 14 CFA countries, which have a variety of economic and political systems. Getting them all to agree at once would be a daunting task.

And if Mr Diop's reaction is any indicator, any agreement is a long way off: "In the West African CFA zone, we don't even think the word devaluation should be pronounced," he said.

UK-Soviet ventures will be hurt by spy row

By Quentin Peel in Moscow and Robert Mauthner in London

FUTURE British business ventures in the Soviet Union seem certain to be severely restricted by Moscow's decision to impose a rigid quota on all British employees in the city.

Companies were yesterday assessing potential damage to their operations from the new ceiling of 205 set by the Soviet authorities, which reduces by 170 the permitted total number of employees of the British embassy, businesses and foreign correspondents.

The cuts, affecting Soviet personnel such as interpreters, salesmen, technical personnel, secretaries and drivers, are supposed to be carried out by next Saturday.

In London, the Foreign Office said the reduction was "ludicrous" and "preposterous" and refused to inform Moscow on how the cuts would be implemented – pointing out that it had no authority over private businesses or journalists. British businessmen in Moscow also seemed determined to force the Soviet authorities to detail the cuts themselves.

Sir John Fretwell, Britain's Deputy Under-Secretary of State, called in Mr Vladimir Ivanov, a senior Soviet diplomat, to say the cuts were unjustified and damaging to Anglo-Soviet relations. He called on Moscow to think again about "the full implications" of its demands.

Although the move seems certain to cause chaos for existing operations in Moscow, its most drastic effect could be in preventing the establishment of new operations, including Anglo-Soviet joint ventures.

Mr Gennady Gerasimov, the Soviet Foreign Ministry spokesman, confirmed that British businesses would be included in the quota restriction, imposed in retaliation for a long-standing British quota on Soviet staff in London.

He said it would also apply to any British staff in joint *ventures, though not to Soviet* staff in such operations.

"Of course this could have a detrimental effect on our business relations," he said. "I don't know if they contemplated the long-term effects when they drafted the decision."

The quota restriction was imposed as part of the retaliation for Britain's decision last week to expel eight Soviet diplomats and three journalists – which was matched by identical expulsions from Moscow.

Mr Gerasimov admitted that the London quota affected only Soviet nationals, who may in turn employ as many British staff as they like. In Moscow, Soviet staff in businesses other than joint ventures have been included in the quota.

The Soviet spokesman added that: "The rule is that we employ only our own people (in London)" because "it is cheaper." But a British Foreign Office spokesman said Soviet organisations in the UK employed more than 400 Britons.

THE LEX COLUMN

BA checks in with excess baggage

Yesterday's sharp drop in sterling came too late to show up in the official exchange rate or money market rates, but the pressure for higher UK interest rates is on. One per cent on base rates might be enough to stabilise sterling without triggering a mortgage rate rise; but given the continued buoyancy of building society lending, a rise might be no bad thing.

British Airways

British Airways' management is pretty good at running an airline, but when it comes to doing deals its skills are more suspect. The company would love the City to agree that British Caledonian was a marvellous acquisition, but despite yesterday's brave words from Lord King the case is still not proven. Without BCal, BA's earnings per share would almost certainly have grown by more last year's 16 per cent, and gearing would be lower. To its credit, the merger of the two businesses has gone far more smoothly than might have been expected. But the key question is whether the group's earnings in 1990-91 will be higher than they would have been without the acquisition, and this is still far from certain.

Clearly, there are still cost savings to be had, and provided BA can continue to increase its traffic yield, pretax profits this year should top the £300m mark. A 5 per cent increase in BA's capacity is considerably less than forecast traffic growth, and load factors should remain healthy. However, BA has a very high level of operational gearing; and with its prices rising considerably more slowly than inflation, productivity growth and cost cutting are not sufficient to cushion it from a recession in its major markets. This is one reason why its shares are trading on a prospective multiple a third below the market average; the other is its dismal showing in Europe, which accounts for a fifth of its business but less than 5 per cent of its profits. The worry is that BA might use this weakness to justify another expensive investment in a weak European airline.

Gold

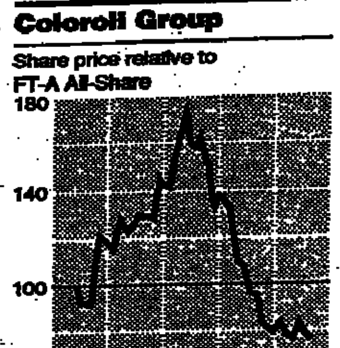
Consolidated Goldfields' painstakingly methodical review of the gold market in 1988 makes puzzling reading. If everything was as bullish as the report makes out, why did the gold price fall by 15 per cent? Part of the reason seems to be that 400 tonnes of gold loans and forward gold sales made good a shortfall in conventional supply; but that does not explain the fall in gold this year. Indeed, while the signs apparently point more clearly still to a rising price, so far gold has moved steadily downwards by $50, broken only by a few unconvincing rallies like yesterday's.

However, the word from Gold Fields is that demand and supply are continuing to tighten as jewellers in the Far East scramble for supply, and that these fundamentals should have a greater say than usual in determining prices. Producers sold so much gold forward last year that further sales this year have been limited. Meanwhile, gold loans have also been in retreat – because some central banks have now lent as much of their reserves as they care to, because rates have risen to perhaps double last year's level, and because equity finance is looking a plausible option for producers once again.

All of that is doubtless true; but while investors see no point in buying gold, no shortage in conventional supply is likely to pull prices up. Even the Swiss are fed up with gold, and while Gold Fields interprets this as a sign of pent-up demand, it is difficult to share its confidence. Perhaps gold will get a boost from a general fear of inflation, or as a hedge against a falling dollar. But those who are worried about inflation should have made their purchases already; and as for the dollar, surely the challenge is to find a hedge against its interminable rise.

Coloroll Group

Share price relative to FT-A All-Share



Coloroll

The relative performance of Coloroll's shares over the past two years has been atrocious, and yesterday's figures help to explain why. On flotation in 1985, the image was one of glamour and high growth. The growth is no longer discernible, and a cyclical element has crept in. After last year's modest earnings per share growth of 11 per cent, the company expects 3 per cent this year, and this is on the basis that UK interest rates will not go up, and indeed will fall in time to revive household spending by the autumn.

There is also a hint of over-extension. Profits in soft furnishing slumped last year, and this year could be tough for domestic carpets. Meanwhile, Coloroll is already tackling the furniture market, and has ambitions to get into paint and ceramic tiles. And despite having relied heavily on its paper for acquisitions, the group is plainly burdened with debt. The sale of MCD for £100m or so will relieve the pressure, but further acquisitions will doubtless follow.

All the while, the market has a suspicious eye on Mr Ashcroft's accounting policies, including yesterday's £33m below the line write-off on the Crowther acquisition, and the promised valuation of brands. The net result is a share price of 157p, down another 5 per cent yesterday, and a prospective multiple of 7. This might seem harsh for a group with Coloroll's brand strength and marketing flair. But if there are rough times ahead for the corporate sector, the market is likely to seek quality of a more sober kind.

Chloride

For a company which has disappointed its shareholders for the umpteenth time, Chloride is pretty coy with its explanations. The company has had an endless stream of top executives who have blamed their predecessors for the company's plight, and yesterday Chloride axed its dividend without an adequate explanation. It is getting on for two months since its year end; and although Chloride knows what it earned at the pre-tax level, it gives no real clues to its gearing or its earnings per share, which are presumably the reasons why it is cutting the dividend. This is not the sort of behaviour to keep the institutions on Chloride's side in the event of a bid for the company – though that is probably the best thing that could happen to it.

McMahon criticises US debt crisis plan

By Stephen Fidler, Euromarkets Correspondent

SIR Kit McMahon, chairman of Midland Bank, yesterday attacked a new US-led initiative for dealing with the Third World debt crisis for failing to provide a fresh start and said it was likely to worsen problems in the short term.

Midland has the largest exposure to Latin America among the British banks. Its chairman, the former deputy-governor of the Bank of England, said that the ideas announced on March 10 by Mr Nicholas Brady, the US Treasury Secretary, fell "far short of being able to provide a really new start".

The Brady proposals, which envisaged accelerating the reduction of debt and debt servicing burdens through the use of resources from the International Monetary Fund and the World Bank, have since been endorsed by the Group of Seven industrialised countries.

Sir Kit's speech, at the annual Financial Times lunch for the international financial community, carried the message that the Brady proposals either went too far or did not go far enough. They gave the appearance of reconstructing the debts so that banks would convert their old loans into new assets at a high discount. A broad plan of this kind would justify banks thinking carefully about taking very serious losses on the loans.

Sir Kit said: "The trouble is that it looks as if it's being done but it's not being recommended or done at all. It's much more equivalent to being half pregnant."

It was sad that the move had been made in response to worries about Mexico, which had made "heroic efforts" to reform its economy. The proposals would delay a solution to Mexico's problems and the prospect of attracting a reflow of capital to the country had become smaller.

"In this country of all countries, we have been persuaded into a position where a conflict is bound to arise because of the insufficiency and inadequacy of the solution that is being proposed."

US-Bonn gap remains

Continued from Page 1

about prospects for agreement. Mr Baker said he thought the West Germans "had led themselves to believe that our position was perhaps somewhat different than it was when they actually looked at the piece of paper (the detailed US statement)."

The US is insisting that any talks on short-range missiles must be linked specifically to substantial progress in both negotiations and implementation of a reduction in conventional force imbalances. Moreover, the US has insisted that the elimination of short-range missiles, the third zero, should be ruled out and that the US would continue, on a national basis, to conduct research and development on a replacement to the ageing Lance missile.

The reply late on Monday by the Bonn Government apparently said that the US was proposing excessively tight conditions unduly delaying the start of short-range talks and was, in effect, requiring Nato support for a Lance replacement.

While lowering expectations about a short-range missile agreement, Mr Baker thought the issue would not dominate the summit, which would be concerned with reviewing the position of the Nato alliance on its 40th anniversary.

Consequently, President Bush would seek to highlight the theme of common Western values: democracy, human rights, free markets and free enterprise and the rule of law.

He would stress five points: the need for a strong common defence; the further development of European institutions that will strengthen the European pillar of the alliance, including EC economic integration; seeing how the West can further economic and political change in Eastern Europe; turning attention to problems of environmental risk and missile and chemical proliferation, plus possible out-of-area action in regional conflicts; and pursuing freedom in areas of continuing Cold War conflict such as Berlin.

Mr Baker also announced that the US and the Soviet Union had agreed to resume the strategic-arms reduction talks (Start) on June 19. This follows the agreement in principle reached in Moscow two weeks ago.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	26	79	Dubrovnik	F	23	73	Malta	S	23	73	Rhodes	F	23	73
Algiers	C	25	77	Edinburgh	S	16	61	Manchester	S	17	63	Rio de J'o	C	28	83
Amsterdam	S	24	75	Faro	F	19	66	Manila	C	35	95	Rome	F	22	72
Athens	F	20	68	Florence	S	24	75	Melbourne	C	13	55	Salzburg	S	21	70
Bahrain	S	32	90	Frankfurt	S	23	73	Mexico City	F	30	86	San Francisco	C	12	54
Bangkok	F	34	93	Funchal	C	20	68	Miami	S	26	79	Seoul	S	24	75
Barcelona	F	24	75	Geneva	S	23	73	Milan	F	22	72	Singapore		–	–
Beirut		–	–	Gibraltar	F	18	64	Montreal	F	14	57	Stockholm	S	24	75
Belfast	S	22	72	Glasgow	S	20	68	Moscow	C	11	52	Strasbourg	S	23	73
Belgrade	C	18	64	Guernsey	S	22	72	Munich	S	20	68	Sydney	S	16	61
Berlin	S	22	72	Helsinki	S	22	72	Nairobi		–	–	Taipei	F	34	93
Biarritz	C	21	70	H Kong	R	27	81	Naples	F	27	81	Tangier	F	20	68
Bombay		–	–	Innsbruck	S	25	77	Nassau	F	30	86	Tel Aviv	S	26	79
Bordeaux	S	25	77	Inverness	S	18	64	New Delhi	S	38	100	Tenerife	C	22	72
Brussels	S	24	75	Islamabad	F	41	106	New York	F	18	64	Tokyo	R	19	66
Budapest	S	18	64	Istanbul	F	14	57	Nice	S	22	72	Toronto	C	13	55
B Aires	C	24	75	Jakarta	R	32	90	Nicosia	S	23	73	Tunis	F	27	81
Cairo	S	33	91	Jersey	S	25	77	Oporto	S	22	72	Valencia	C	20	68
Cape Town	S	22	72	Jo'burg	S	20	68	Oslo	S	21	70	Venice	S	23	73
Caracas	C	26	76	Lima	F	21	70	Paris	S	26	79	Vienna	S	17	63
Casablanca	C	20	68	Lisbon	F	18	64	Peking	C	26	79	Warsaw	S	19	66
Chicago	F	15	59	London	S	27	81	Prague	S	19	66	Washington	C	19	66
Cologne	S	24	75	Los Angeles	F	13	55	Reykjavik	R	5	41	Zurich	S	21	70
Copenhagen	S	17	63	Luxembourg	S	21	70								
Corfu	S	25	77	Madrid	Dr	18	64								
Dallas		–	–	Majorca	S	26	79								
Dublin	S	19	66	Malaga	R	18	64								

Readings at mid-day yesterday

C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Banks in Soviet venture

Continued from Page 1

analysis, which is becoming essential in the market-orientated economic restructuring now under way.

However, although International Moscow Bank is set up as a wholesale bank, Western banking specialists said yesterday that the Soviet authorities had sought banks with large commercial banking networks.

"The Soviets are interested less in setting up a wholesale bank than in acquiring expertise in retail banking and Western banking techniques," commented one Paris banker not involved in the consortium yesterday.

The agreement provides for branches to be opened in the future, but for the next two or three years the bank is likely to be limited to its Moscow head office.

International Moscow Bank has a capital of 100m roubles ($151m), but a large part of the capital is expected to be denominated in US dollars and will carry additional protection clauses.

Chinese leader cuts US visit

Continued from Page 1

strators in Peking were directly calling for Li's resignation. The news agency seemed to go out of its way to emphasise the broad opposition to Li when it put the number of demonstrators at 1m.

It was still too early yesterday predict the outcome of a struggle that began six weeks ago with a series of pro-democracy rallies following the death of Hu Yaobang, the liberal former Communist Party general secretary.

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday May 24 1989

INSIDE

Benefits pile up for Coloroll

Last summer's hard-won takeover of the John Crowther textiles group has brought its rewards to Coloroll. The British home products group yesterday reported that pre-tax profits for the year to the end of March had more than doubled from £26m to £55.5m, and that the retained Crowther carpet businesses were meeting performance targets. Meanwhile, disposal profits of an estimated £260m are set to exceed acquisition costs of £215m and leave the group in a net cash position. Page 32

A minimalist approach to lingerie

They shocked Vienna. Now the scantily-clad models displaying a variety of up-market silk lingerie from the Austrian company Palmers are set to take their provocative brand of billboard advertising further afield, into West Germany and even Hungary. For the best part of three-quarters of a century, the Innsbruck-based family firm built its reputation on supplying nylon stockings, tights and conservative underwear. But it then turned its image "inside out". Judy Dempsey explains how. Page 28

Now in your local car showroom: the seeds of a market showdown

A rise in new car models in Japan and overseas is heightening competition in the industry. Mazda, the Japanese car maker which is closely affiliated to Ford of the US, gave this warning yesterday as it announced a sharp increase in interim profits on the back of strong sales at home and overseas. It said it had redoubled efforts to improve its own model line-up and had cut costs. Page 28

Clear view of the future

For a hundred years the International Commodities Clearing House basked in its position as clearer to commodities markets in London and around the world. But no more. Martin Eades (left), the group's new managing director, is unimpressed by tradition. His appointment is the last piece of a jigsaw in which the parts have been considerably shuffled in the last 18 months. And it comes at a crucial time for an organisation which is now surrounded by fully-fledged exchanges that believe they can do the job better. Katharine Campbell reports. Page 30

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
VW	358.5	+	7	Euro! Bon	8.7	+	0.6
Bayer	300	+	6.3	Grp. Victoire	449	+	25.4
Hoechst	305	+	4.9	UFB Loc-da	86	+	3.9
BASF	303.5	+	3.9	Roussel Op	969	+	40.6
Siemens	523.5	+	5.5	Scoa	82.9	+	3.4
Falls				**Falls**			
Feldmuehle	335.5	—	6.5	Ingenico	233.5	—	12.8

NEW YORK ($)				TOKYO (Yen)			
Rises				**Rises**			
Deere	58½	+	⅜	Oriental Yeast	2250	+	300
NWA	105¾	+	1⅞	Aiwa	1290	+	120
Time Inc	128½	+	1	Akita Bank	6750	+	600
Falls				**Falls**			
AT & T	35¼	—	½	Kanebo Spin	679	—	52
General Motors	41⅛	—	1¼	Nippon Metal	1150	—	80
Merck	70⅛	—	1⅝	Okano Valve	650	—	45

New York prices at 12.30.

LONDON (Pence)							
Rises				Ivory Merchant	465	—	12
Cable & Wire.	549	+	4	Ladbroke	592	—	7
Dixons	148	+	9	Racal Elect.	483	—	14
Eurotunnel Uts.	967	+	39	Racal Telecom	438	—	21
Guinness Mahon	138	+	8	Ratners	226	—	9
Smith (David S)	313	+	23	Rugby	205	—	9
Falls							
Anglia Secure	270	—	17	Tarmac	341	—	11
Blue Circle	586	—	11	THORN EMI	700	—	12
Coloroll	157	—	9	Ultramar	303½	—	21½
Glaxo	1431	—	12	Utd Biscuits	339½	—	6½
Grand Met.	545	—	13	Willis Faber	231	—	7
GUS "A"	1043	—	38				

Canadian bank restructures in Europe

By Laura Raun in Amsterdam and David Owen in Toronto

ROYAL BANK of Canada, the country's largest bank, is restructuring its European operations to focus on corporate banking.

The decision will precipitate the sale of subsidiaries in France and Belgium and of certain equities trading operations in West Germany. The bank will, however, retain its French corporate banking operations, which will be administered through a new subsidiary.

Commercial Union France, a unit of one of Britain's largest insurers, will purchase the French subsidiary, while the bank's Belgian retail and commercial operations will be bought by Nederlandsche Middenstandsbank of the Netherlands. Terms were not disclosed.

The Royal's domestic deutschmark equities trading operations in West Germany will be acquired by a subsidiary of Amro Bank, the second largest bank in The Netherlands. The deal includes ownership of a full service branch in Dortmund.

The acquisition is in line with Amro's strategy of international expansion, notably in Germany, which is aimed at achieving a leading position among European banks. An alliance has been forged with Generale Bank of Belgium, although the acquisition is being done through Amro Handelsbank, the German unit.

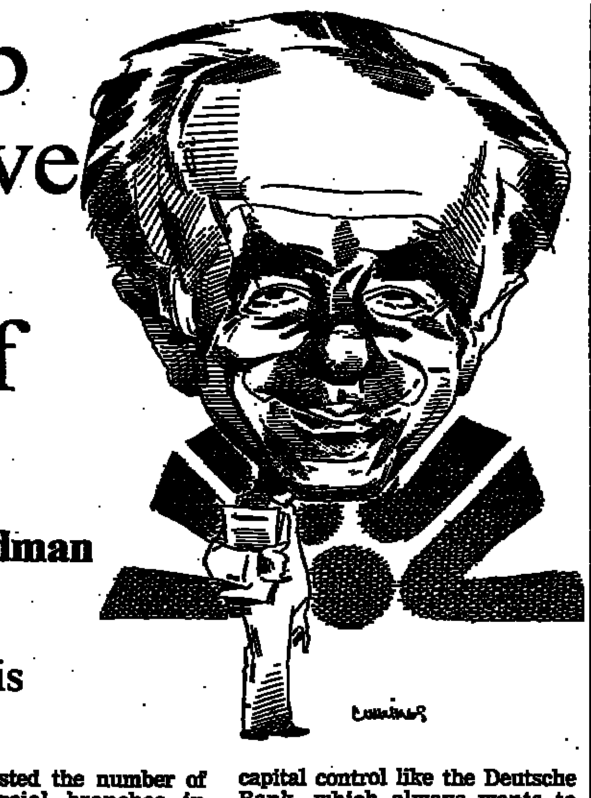
Mr Anthony Webb, senior vice president at Royal Bank of Canada, said the bank has concluded that its principal strength outside Canada lies in "meeting the needs of major corporations, especially those having or seeking solid connections with North America. We have realised that in Europe, with its well-established indigenous banks, it is unrealistic to suppose that we could be as successful as they are in serving retail and commercial customers in their own countries."

The bank will be allocating substantially increased capital through its new French subsidiary to strengthen its base there, Mr Webb added.

In its year ended October 31, the bank reported net income of C$712m (US$598m), representing a strong comeback from the previous year when special loan loss provisions had resulted in a substantial loss.

Earnings from international operations totalled only C$11m, against C$111m in 1987, however. This was due to the addition of a further C$360m to Third World loan loss provisions.

Gearing up for the drive across the frontiers of Europe



Paul Betts and **Alan Friedman** on Jean-Yves Haberer's ambitious plans for preparing Crédit Lyonnais for the single market

MR JEAN-YVES Haberer, the newly appointed chairman of Crédit Lyonnais, is staking the French bank's future on an ambitious trans-European strategy.

"We are already number one in Europe in terms of commercial bank branches, and we intend to stay that way," he said in his big but sparsely furnished office at Crédit Lyonnais' Paris headquarters near the Opera.

He has just underlined his determination by bringing off one of Europe's most important trans-frontier banking acquisitions: Crédit Lyonnais has bought effective control of Credito Bergamasco, a large private bank based in northern Italy. That follows last March's acquisition of the Belgian subsidiary of Chase Manhattan Bank, further strengthening the French bank's position as the largest foreign bank in Belgium.

And yesterday the bank announced a significant deal in the Soviet Union: it is one of five European banks which have set up the first joint venture bank in Moscow in partnership with three Soviet banks.

Mr Haberer was director of the French Treasury between 1978 and 1982 and then chairman of Paribas bank until he was dropped in 1986 by the right-wing government of Mr Chirac. He made his comeback in the French financial establishment eight months ago when the new Socialist government appointed him to head France's second largest bank in state hands.

He has wasted little time in putting his European strategy into practice, and in the autumn he plans to group all the bank's European assets outside France into a new holding company, called Crédit Lyonnais Europe, with a multinational board.

"It will become an important vehicle for our European strategy," explained Mr Haberer. "It will group together about FFr9bn ($1.3bn) in net assets which represents a fairly substantial slice of the bank's net assets which total about FFr34bn after our latest acquisitions."

Mr Haberer says Crédit Lyonnais is "one of the rare banks which can have a truly European base. Even before the latest Italian deal, we had 7,500 people working for us in Europe outside France. The Italian transaction has added a further 1,500 people and has boosted the number of our commercial branches in Europe outside our home country to 300 branches."

He argues that Crédit Lyonnais has a stronger overall spread of banking interests in Europe than a bank like Barclays, of Britain, whose European assets are heavily concentrated in two countries, Spain and France. He considers Barclays and Deutsche Bank as Crédit Lyonnais' main competitors in Europe.

The single European market starting in 1993 will spell the end of traditional one state banking, Mr Haberer says. "Until now, banks have operated from their home country bases, extending their businesses in other countries. But 1993 will produce a new situation and each bank is being forced to develop a new financial and commercial strategy."

However, he does not intend to see Crédit Lyonnais involved in retail banking in every European country. "There is absolutely no point in going to a country like Austria and losing money there. You also can't do retail banking in West Germany and I have no interest in doing so there. But in many other countries you can earn good margins in retail banking. In Italy, for example, retail banking is interesting as long as you have the critical mass."

This is one of the main reasons why he decided to acquire control of Credito Bergamasco, with its 95 branches in the economically buoyant north of Italy. There are also historic reasons for Crédit Lyonnais to invest in this part of Italy, since the French bank has long had a leading presence in the south-eastern region of France bordering Italy.

"We clearly want to build up this important regional presence by developing ourselves in northern Italy. I'm sure that the cross-fertilisation between the Crédit Lyonnais and northern Italy will be very fertile," he said.

Crédit Lyonnais initially bought only 29.68 per cent of the bank, for L340bn ($233m), but it announced on Monday that it will make a partial public offering for additional shares, to bring its total holding in Bergamasco up to nearly 49 per cent at a total cost of around $390m.

Says Mr Haberer: "We don't think it is necessary to own 50 per cent or more of a bank to have effective influence. We are not obsessed about taking full capital control like the Deutsche Bank, which always wants to own 100 per cent. We also want the large local Italian shareholders to stay with us in the bank and preserve the Italian personality of the group," he said.

The deal is the third major acquisition by a foreign bank in Italy in recent years, following Deutsche Bank's purchase of the 99-branch Banca d'America e d'Italia (BAI) in 1986 and Citibank's takeover of the 45-branch Banca Centro Sud in 1985. It is further confirmation that non-Italian institutions are willing to pay premium prices to enter Italy.

Mr Haberer acknowledges that it is expensive to buy an Italian bank. "But Italy remains for the time being a very protected market and you have to pay the price to get in. We could have waited until the open market of 1993 before moving in, but by buying an Italian bank now we have gained time, and as you know, time is money."

To support his development strategy, Mr Haberer says Crédit Lyonnais will need to find FFr10bn in fresh capital funds between now and 1993. Half of this money will be required to help the bank meet the new Cooke Committee international solvency ratios and the other half to finance expansion. The French government recently agreed to inject FFr1.5bn in the bank through the Caisse des Depots and Mr Haberer is confident of continuing support from his state shareholder.

At the same time, he intends to rely on the bank's improved profitability to finance a large part of its new capital needs from internal resources.

Crédit Lyonnais recently reported a disappointing 7 per cent decline in net profits to FFr2.06bn last year as a result of losses of FFr603m at its London securities subsidiary, Alexanders Laing and Cruickshank, and a heavy increase in bad debt provisions. Mr Haberer expects the London subsidiary to break even this year.

He has also set himself the target of increasing profits to FFr4bn by 1992, repeating his achievement at Paribas, where he managed to double profits in four years. His other ambition is to ensure that Crédit Lyonnais remains, in his words, "the most European of the European banks."

Merger boosts BA profits to £268m

By Andrew Hill in London

BRITISH Airways' 1987 merger with British Caledonian helped boost the airline's profits to £268m ($423m) before tax in the year to March 31.

BA would not quantify BCal's 1988-89 contribution, but group profits were 17.5 per cent higher than the previous year's £228m, which was held back by an initial three-month loss of £32m at BCal.

However, loss-making BCal routes from Gatwick to continental Europe, and increased competition on services from West Germany to West Berlin more than halved BA's operating surplus in Europe from £36m to £16m.

Group turnover rose from £3.76bn to £4.26bn and earnings per share were up nearly 16 per cent to 24.3p (21p). The group recommended a final dividend of 5.25p, making a total 7.75p (6.9p).

Some £9m was saved on pension contributions, helping reduce losses in the fourth quarter from £39m to £5m before tax.

BA's chief executive Sir Colin Marshall said second half passenger revenue had shown a marked increase on the equivalent period, reflecting a change at the half-year to a new timetable combining BCal and BA schedules.

The number of passengers carried by BA rose from 23.2m to 24.6m. Sir Colin added: "We saw an increase of some 3 per cent in productivity, and staff costs as a percentage of our total costs were down by 2.5 per cent."

Having integrated BCal, BA is aiming to reduce management in the group's core business by 10 per cent — or about 100 jobs.

Charges of £28m were taken above the line in the 1988-89 figures. About £17m of that covered start-up ventures including Air Miles, the 51 per cent-owned promotional air travel scheme, and Galileo, a computerised booking system operated with other airlines.

The balance was an £11m provision against losses at Redwing Holidays, the package holiday company 50 per cent owned by BA.

Interest charges rose from £31m to £71m, and currency losses on general purpose loans were £15m, against profits of £11m in 1987-88. Gearing at the year-end was 138 per cent (108 per cent), or 104 per cent excluding deposit refinancing.

Lord King, BA's chairman, announcing the group's results

BA said talks about taking a stake in Sabena, the Belgian national airline, were continuing, though they were still at a preliminary stage.

The airline also intends to seek some compensation from Boeing for delays in the delivery of new 747-400 jumbo jets. The first of these aircraft should arrive in July and August, enabling BA to step up its one-stop services to Australia, assuming European aviation authorities approve the new aeroplanes.

BA said 48,000 employees would receive a staff profit-share bonus of just over 2¼ weeks' basic pay. They will also be given an additional week's pay as a reward for the results and the successful integration of BCal.

● British Airways has increased its stake in Hogg Robinson, the travel, transport, and financial services group, from just under 10 per cent to 12.33 per cent.

Lex, Page 24

Brierley disposes of his stake in Ultramar

By Philip Coggan in London

IEP Securities, part of Sir Ron Brierley's business empire, yesterday sold its 14.1 per cent stake in Ultramar, the diversified oil group, realising a profit of around £65m ($103m).

The 49m shares were placed by London market marker Smith New Court with a group of UK institutional investors at 305p each, and Ultramar's shares fell 21p to 305p yesterday.

IEP said that Ultramar's shares were trading at close to an all-time high and there was "no particular reason why they should outperform the market in the short term." The shares had been bought at an average price of 185p.

The sale represents the latest in a series of disposals of London equity investments by IEP this year.

Mr Terry Povey, an analyst at ANZ McCaughan, estimates that IEP has raised £240m in London equity disposals during 1989. IEP has also spent money on building up stakes in Mount Charlotte, the leisure group and in Vickers, the British defence and engineering group.

Sir Ron first declared a stake in Ultramar in April 1986, although the holding had been built up over a period of months. His stake helped create speculation that Ultramar might become a bid target.

However, Ultramar has recently benefited from the upsurge in the oil price and its quarterly profits, announced last week, were more than doubled at £32.2m. Bid speculation has also been dampened by the failure of a French and Canadian consortium to mount a bid and by the appointment of a new chief executive, Mr Jean Gaulin.

Mr David Elton, an Ultramar executive director, said yesterday that "Sir Ron has been a loyal and supportive investor. We're pleased that the strong performance of the company means he has made a good profit and we're even more pleased that the shares should have been placed widely with a range of British institutions."

Mr Povey of ANZ McCaughan said that he thought the disposal of IEP assets was based more on a bearish view of the London equity market than on the need to raise cash for a major bid.

Sir Ron Brierley has been relatively inactive as a bidder in the UK market in the last two years, preferring to concentrate on strategic investments, said Mr Povey.

BMW to raise $84.5m through issue of preference shares

By Andrew Fisher in Frankfurt

BMW, the West German luxury car company, is raising DM169m ($84.5m) through a low-priced rights issue of preference shares. The move is to create a market in this category of stock for the benefit of employees who will shortly be able to buy such non-voting shares for the first time.

The company said yesterday that shareholders would be able to subscribe on a one-for-20 basis to the new preference shares at a price of DM225 each. This compares with a closing price for the ordinary shares — a majority of which are in the hands of the controlling Quandt family — of DM509 yesterday, down by DM3.

Analysts said the pricing of the issue, which will take place after the July 6 annual meeting, was much lower than would be the case if BMW needed extra capital. "This is purely to provide an incentive to the workforce," said Mr Stephen Reitman, motor industry analyst at Phillips & Drew, the London stockbroker. Some 300,000 new shares will be created for the workforce.

This year, BMW sales have been racing ahead in Germany and the rest of Europe, with a 22.5 per cent advance in the first four months to 141,100 cars. This compares with a 5.4 per cent drop at Daimler-Benz to 154,900, said Mr Reitman. In the US, still a tough market, BMW's sales were 2.1 per cent higher at 23,375 cars, while Daimler's fell by 16.5 per cent to 23,080.

BMW's progress has been aided by the continuing success of its latest top-of-the-range 7 and 5-series models.

For 1988, BMW has announced flat parent company net profits of DM375m and an unchanged dividend of DM12.50 a share. However, Mr Reitman estimates that group earnings per share rose from DM43 to DM45 last year, with DM50 in prospect for 1989.

INTERNATIONAL COMPANIES AND FINANCE

Austrians find new sexual identity

Judy Dempsey on the 'minimalist' approach of a lingerie business

An up-market Austrian lingerie business, which shocked the sensitive Viennese with its provocative advertising, is moving further afield into West Germany and even Hungary in an attempt to promote its high-fashion underwear.

Few Viennese would have expected the Palmers company to turn its image inside-out. After all, since its establishment in Innsbruck back in 1914, this old, respectable family concern supplied what a Palmers sales manager called women's "day-wear" and "night-wear", at least to those who did not have their corsets custom-made.

For the best part of three-quarters of a century, Palmers has dutifully provided its customers with nylon stockings, tights and conservative underwear. Indeed, stockings and tights are still the company's best-selling product. Over 6m pairs are sold each year.

Such an image of staid conservatism, which was very much in line with contemporary trends in Austria, particularly in marketing and advertising, was radically jolted in the early 1980s. It was then that Mr Rudolf Humer, the 45-year-old chairman of the company, took a hard look at its profile. He wanted to retain its traditional customers, but at the same time he wanted to attract the growing younger generation of well-off, fashion-conscious yuppies who, he says, are less inhibited about what they wear – either in public or in private.

To give Palmers a higher profile, Humer brought in an international advertising agency – and non-Austrian models. Overnight, giant billboards were splashed across Vienna. Some Austrians were shocked next morning to see model displays of scantily-dressed women sporting a variety of Palmers' silk lingerie. They were more shocked when Palmers started promoting men's underwear, which, like the advertising for women's garments, could be described as "minimalist."

Mr Humer shrugs off criticism that his advertising is sexist or exploitative of women. Rather, he speaks openly about the Austrian attitude towards sex in general. "Women identify with our underwear," he says. "We want to combine in our advertising the aesthetic with the erotic. This is not so primitive. Attitudes towards sex are becoming more sophisticated here," he says, adding that Palmers' underwear is a reflection of these changing attitudes.

One of his sales managers goes further by insisting that "Palmers will continue to be provocative. But we do not think we are going over the top with our advertising."

The new image has had an instant impact. Mr Humer says he receives hundreds of letters every time the firm embarks on a new, provocative advertising campaign. Sometimes, the response is very hostile. However, mostly it is positive, he says, adding that for too long Austrian woman never took their lingerie or sexual identity seriously enough.

More important, this kind of marketing and aggressive advertising is paying handsome dividends for the firm. Turnover for 1988 reached Sch1.6bn ($113m) – slightly up on the previous year. Cashflow also increased by Sch12m to Sch132m over the same period.

However, Mr Humer reckons there is a point at which the Austrian market could become saturated, at least in terms of setting up branches and franchises. So far, the company has 97 branches throughout the country and is due to reach 100 by the summer. Combined with 173 franchise partners and an annual marketing budget of Sch60m, it is reckoned that the majority of Austrian women are now familiar with Palmers.

Mr Humer is not content, however, with remaining purely an Austrian phenomenon. Over the past few months, in co-operation with Duklas, the West German firm, he has set up a branch near Dusseldorf, backed by a minimum of DM1m ($500,000) of capital. The Palmers flag is also flying in Hamburg, Mannheim and Kassel.

For Mr Humer, the spectre of 1992 has raised new challenges for the company. "We need to have a presence in the European Community. We have to expand now." But his eyes are also looking Eastwards. He says he plans soon to open a branch in Budapest.

Those branches will be instantly recognisable. The Palmers logo is green, the sales assistants are dressed in green, the bags are green. The carpet in its headquarters just outside Vienna is green. Mr Humer says he even has a green tie. The corporate identity will remain. However, Mr Humer has few intentions of allowing Palmers lingerie to slip into something less exciting than its present image.

SEAS stops Jomsberg bid at stormy GM

By Xueling Lin in Copenhagen

SEAS, ONE of the largest Danish electricity producers, has quashed a takeover bid from Jomsberg, Luxembourg-based finance company, after a stormy general meeting.

Small shareholders prevented Mr Richard Bonnichsen, the Jomsberg representative who spearheaded the takeover bid, from gaining a seat on the SEAS board, thereby crushing the finance company's hopes of channelling DKr150m ($19.2m) of SEAS funds into a special investment company.

SEAS estimates its assets – including two power stations and an extensive distribution net – at up to DKr10bn, on top of net capital of DKr60m.

Jomsberg has now sold its 28 per cent shareholding in SEAS to Denmark's largest bank, Den Danske Bank, and to SEAS itself, for DKr38.5m.

The takeover bid drew strong media and political attention because of fears that if it succeeded Jomsberg could theoretically cut off electricity supplies to south-eastern Denmark or raise electricity prices dramatically when SEAS's concession to supply electricity ended in 1997.

The Danish Government held back from direct intervention in the takeover bid in the weeks running up to the general meeting, in spite of calls by SEAS management for the company to be changed from a private company to a consumer-owned co-operative.

Mr Jens Bilgrav-Nielsen, the Energy Minister, said that Jomsberg's withdrawal was a happy way out of the problem, but that he would still be looking at the electricity supply law.

He also stated that while the Jomsberg bid would not stop the planned privatisation plans, it was a strong reminder that suppliers of essential services should not be sold out completely.

SEAS hopes to buy the 19.5 per cent share bought by Den Danske Bank and to purchase the remaining shares from SEAS's small shareholders if the company is turned into a co-operative.

Schindler's purchase of Also interest 'a mistake'

By John Wicks in Lucerne

SCHINDLER HOLDING, the Lucerne-based international lift and escalator manufacturer, "made a mistake" in taking over a stake in Also Holding last year, Mr Alfred Schindler, the company's president, said yesterday.

Also Holding, in which Schindler has a 30 per cent shareholding but a voting majority, recorded combined losses last year of SFr42.1m ($23.5m) on turnover of SFr185m. The company, which specialises in the sale and lease of personal computers and software, remains in the red this year with a first-quarter deficit of SFr2.7m.

Mr Schindler said that his company had not been informed of the true condition of Also on the purchase of the shareholding last July. A new management was subsequently appointed by Schindler, which will have written off the Also participation to a nominal SFr1 by the end of this year.

The Hergiswil-based Also, which had grown rapidly in recent years by a series of acquisitions at home and abroad, is seen by Schindler as having been "insufficiently equipped" for the highly competitive personal computer market.

However, Schindler intends to "nurse Also back to health," in the light of what it sees as a promising market environment. Despite the Also write-off, Schindler's group profits rose by 30 per cent last year from SFr65.2m to SFr85.1m.

Consolidated sales went up 22 per cent to a record SFr2.19bn, excluding turnover of the unconsolidated Also and of the recently acquired lift division of the Westinghouse concern in the US.

At the June 19 annual general meeting, the Schindler Holding board is to propose an increase in dividends to SFr90 per bearer share from SFr80 in 1987 and to SFr18 per registered share and participation certificate from SFr16 in 1987.

On the same basis, Mr Schindler predicted 1989 turnover of some SFr2.4bn. In addition, about SFr800m is expected from the former Westinghouse unit and a further SFr400m from unconsolidated affiliates.

The trend so far this year had been "very positive," he added, and indicated that profits should again be well upon those for the previous year.

● Swiss store chain Magazine zum Globus achieved a small increase in sales in the first two months of this year and expects sales for the full year to grow by 2.5 to 3.5 per cent, according to Mr Rudolf Bitterli, the company's chairman.

The company had group net profits of SFr34.9m ($19.5m) in the year ended February, up from SFr34m in the previous year, on sales of SFr1.44bn against SFr1.39bn.

Chloride to cut final dividend

By Nikki Tait

SHARES IN Chloride, the troubled UK battery maker, slumped another 12 per cent yesterday to 37p, as the group announced that it planned to cut its final dividend for the year to end-March.

Chloride also revealed that pre-tax profits for the year would be in the region of £12m ($19m), compared with the £18.2m recorded in the previous 12 months. The battery group warned that it would also "suffer a tax charge significantly higher than the standard rate of corporation tax" for 1988/9, because of the dependency on overseas subsidiaries earnings and high tax rates in some foreign countries where it operates.

Some of yesterday's announcement had been anticipated by analysts in the wake of a previous warning by Chloride last month – although the suggested profits figure is at the lower end of estimates.

In April, Chloride announced the sale of its European motive power operations to Compagnie Générale d'Electricité for £55m, said it was negotiating to sell its European automotive battery business, Exide Europe and predicted that profits would be lower than in the previous year, adding that it would consider the final dividend when the preliminary announcement was made. A newly formed consortium, involving the Wanandi family, has since emerged as the buyer of Exide Europe, paying £15.7m.

However, the market had tended to think that the final dividend would be held and Chloride shares sank another 6p on yesterday's news. Explaining the decision to cut the final payment from 1.5p to 0.55p, Chloride said that the board had to look at last year's performance and that "there had not been enough cover."

Analysts calculate that the weight of overseas earnings could result in a 55 per cent tax charge for 1988/9 and that earnings per share might, therefore, run out at around 1p. If so, a maintained final would leave the dividend uncovered.

Instead, the total payment for the year will be 1.1p compared with 2p. The saving to the company from paying the reduced amount, compared with maintaining the final, is around £3m.

In its circular to shareholders – calling the egm at which they will be asked to approve the motive power disposal – Chloride says that Exide Europe made "substantial losses" in 1988/9 but does not reveal the extent.

It adds that the subsidiary's net assets before deducting related borrowings – which the buyer is not assuming – were about £25m at completion.

It also discloses that group debt rose by over £50m from £28m in the year to end-March – with acquisitions, capital expenditure, reorganisation costs and poor trading performance blamed – while at April 28, borrowings net of cash balances stood at £69m. However, it says the £70m proceeds from the disposals will produce a "much strengthened balance sheet."

Lex, Page 24

Pharmacia 19% ahead

By Robert Taylor in Stockholm

PHARMACIA, the Swedish pharmaceuticals and biotechnology group, recorded a 19 per cent increase in first-quarter net profit to SKr258m ($38.2m) from SKr217m in the same period of 1988. There was a 14 per cent improvement in consolidated net sales, from SKr1.57bn to SKr1.79bn.

The company said it had no reason to alter its forecast for 1989, but that profits would be higher than last year.

The best performance has been in Pharmacia's diagnostics group, with a 49 per cent rise in sales, due in part to the completion and integration of last year's acquisition of the US company Electro-Nucleonics. However, Pharmacia also reported that sales in immunodiagnostics had more than doubled over the same period.

Sales in the ophthalmics group rose 15 per cent, with Japan almost doubling in volume. There was a particularly rapid growth in demand for Healon (a gel used in eye surgery) and intraocular lenses.

● Aga, the Swedish industrial gas group, yesterday announced a 1 per cent increase in profits (after financial items) to SKr300m ($44.4m) for the first quarter – up from SKr297m. Sales increased by 13 per cent to SKr2.58bn, from SKr2.28bn.

The company said that the recent acquisition of the Norwegian cold storage company Oestlandske Fryserier and further share purchases in the Propane Gas company in Norway had not been included in the interim report – their combined sales were SKr200m for the first quarter. Aga added that its forecast of increased profits for the whole of 1989 remained unchanged.

Conde gets Petromed seat

By Peter Bruce in Madrid

BANCO ESPANOL de Credito (Banesto), has consolidated its hold on the big private-sector petroleum group, Petromed, with the appointment to the Petromed board this week of Mr Mario Conde, Banesto's chairman.

Banesto owns about 37 per cent of Petromed and the two groups have been at loggerheads recently over Petromed's refusal to consider merging with Cepsa, its main refining rival in the private sector. Mr Conde was keen on the move as it would have formed part of Banesto's merger – since collapsed – with Banco Central, which controls Cepsa.

Mr Conde has also succeeded in securing, in principle, the resignation from the Banesto board of Mr Juan Herrera, Petromed's chairman, who, ironically, joined the bank's board to help Mr Conde fight off a takeover bid by a rival bank at the end of 1987. Petromed bought 3 per cent of Banesto as part of the bank's defence.

Mr Herrera's agreement to leave Banesto is the most obvious success yet in Mr Conde's attempts to clear the bank's often fractious board of its older members to ease the long process he faces in modernising the bank and its huge industrial empire.

Banesto is already having trouble streamlining its industrial interests by grouping them under a new holding company. Under Spanish law, the state can waive 99 per cent of the capital gains tax due on revalued assets transferred to a new company, but is reluctant to do so in this case because the transfers would all take place under the parentage of the original owner – Banesto.

Deere ahead on buoyant sales in North America

By Roderick Oram in New York

DEERE, the world's largest maker of farm machinery, has turned in a large increase in second quarter profits thanks to brisk growth in North American sales.

Net earnings for the three months ended April 30 rose 51 per cent to $130.5m, or $1.74 a share, from $86.4m, or $1.15, on sales which advanced 16 per cent to $1.67bn from $1.45bn.

For the first half, net earnings were 15 per cent higher at $178.9m, or $2.39 a share, against $153.9m, or $2.14, a year earlier. Last year's net included a gain of $28.7m from an accountancy change and a $19m tax loss carried forward. Sales grew 13 per cent to $2.81bn from $2.49bn.

Higher sales volume and prices were offset by inflationary cost increases and start-up costs of some new products, the company said. Overseas operations sharply increased their profitability.

North American retail sales of farm equipment were ahead in April, bringing first half levels up to those of the year earlier. The favourable trend continued in May.

Industrial equipment sales were also ahead, but the company was concerned that they will ease later this year because of high interest rates, which are slowing down US construction activity. Sales of lawn and ground care equipment were reduced.

Deere is planning to increase its second half production schedules in North America and abroad for agricultural equipment but plans small reductions in lawn and ground equipment.

The North American agricultural outlook remains favourable, Deere said. Although winter wheat production will decline because of droughts in some areas, most regions have had enough spring moisture to get crops off to a good start.

In the second quarter, worldwide farm equipment sales rose 19 per cent to $1.36bn from $1.14bn, while industrial equipment edged ahead to $313.9m from $312.8m. Total US and Canadian sales rose 18 per cent to $1.31bn from $1.11bn, while overseas sales were up 7 per cent at $364.3m from $340.4m.

Air Canada sell-off could raise C$500m

By Robert Gibbens in Montreal

CANADA'S federal Government stands to make more than C$500m (US$419m) from the sale of its 57 per cent interest in Air Canada. This is due to improving market conditions for airline stocks and better profit prospects for the airline through 1989.

Air Canada stocks have gone well above C$12 in the market, and this second step towards full privatisation has generated widespread interest.

Although foreigners cannot hold more than 25 per cent of Air Canada, the underwriters will be offering part of the Government's holding outside Canada and the stock will eventually be listed in London, Tokyo and New York.

In the autumn, Air Canada sold a block of Treasury shares at C$8 a share, reducing the Government's 100 per cent holding to 57 per cent or 41m shares. The proceeds were used mainly to back C$2bn worth of equipment orders.

The shares were snapped up by the Canadian public and by one or two foreign institutions, even though the domestic market was in the grip of a cut-throat fare war.

However, earlier this year Wardair, the charter carrier that had won permission to become a full scheduled airline, was caught in the vice of low fares and rising debt and was taken over by Canadian Airlines International, the successor to CP Air now owned by PWA Corp of Calgary.

Then Air Canada shares were trading at a low of C$7. But once the CAI-Wardair merger was clinched and the fare wars had eased, buyers came out and drove the price up to more than C$12. Many American airline stocks have also advanced sharply this year.

Air Canada is expanding its foreign network and becoming more efficient on domestic passenger and cargo routes. In the short term, analysts say, it has a good chance of raising profits.

Its 1989 revenue should be around C$3.7bn, with earnings of about C$1.80 a share.

The Government has suggested that an issue price of C$12 a share would be a steal and it hopes to get between C$15 and C$17 a share. Even that would indicate a modest price-earnings ratio.

The offer documents are expected within the next two or three months. US, Japanese and European investment firms will participate in the selling groups. Though jet fuel prices have risen nearly 10 per cent in the past few months, chances of an economic recession look slim.

The sale will not have the drama of a British Airways privatisation, but it will be one of Canada's largest ever equity issues.

Volvo's Dutch associate doubles profits to Fl 52m

By Kevin Done, Motor Industry Correspondent

VOLVO Car BV, the 30 per cent owned Dutch associate of the Swedish automotive group, more than doubled its net profits last year to Fl 51.9m ($23.1m) from Fl 20.1m a year earlier.

Volvo BV made heavy losses from the mid-1970s to the early 1980s, but it has been in profit since 1983, and has improved its profitability in the last two years.

Operating profits jumped last year to Fl 74.8m from Fl 31m in 1987, despite an increase of only 2.7 per cent in turnover to Fl 2.58bn from Fl 2.51bn a year earlier.

Car output fell slightly to 120,000 from 125,000 in 1987 after the introduction last autumn of the new Volvo 440 series, which caused a fall in sales of the existing 300 series.

Volvo Car said that the downturn was smaller than budgeted, chiefly due to increased Volvo 300 sales in the UK and Spain.

Volvo Car is 30 per cent owned by Volvo of Sweden, and 70 per cent owned by Dutch state interests comprising the National Investment Bank (49 per cent), DSM, the majority state-owned chemicals group (18 per cent), and Industriebank (3 per cent).

The improvement in profits was helped by decreasing development costs and capital investment, following several years of heavy expenditure related to the 440/480 model development programme.

Investments last year fell by Fl 45.7m to Fl 241m, while development costs dropped to Fl 129.6m from Fl 155.9m a year earlier.

The 440 series is the company's first volume range of front-wheel-drive cars, which it hopes will boost sales and production by nearly 30 per cent over the next two years.

The 440 range has taken the company into the upper medium segment of the West European car market for the first time against well-entrenched competitors such as the Ford Sierra, the Vauxhall Cavalier/Opel Vectra, the Renault 21, the Audi 80 and the Volkswagen Passat.

Volvo Car developed the 400 series at a cost of around Fl 1bn.

The company said that it expected "the favourable profit trend" to continue this year.

The UK is now Volvo Car BV's largest single market. It accounted for 32 per cent of turnover last year compared with 26 per cent in 1987. The Netherlands accounted for only 21 per cent compared with 30 per cent in 1987, because of the overall fall in Dutch new car registrations and reduced demand for the 300 series.

Thomson-CSF selects Motorola's Risc chip

By Louise Kehoe

THOMSON-CSF of France, a leading group in military electronics systems, is to standardise its military and defence computer products on Motorola's 88000 reduced instruction set computer (Risc) microprocessor chips.

Motorola, the US's largest semiconductor producer, has also granted Thomson-CSF rights to produce and sell a militarised version of the 88000 for the defence and space markets.

Motorola indicated that other computer systems companies will endorse the 88000 in the next few weeks.

Mr Jim Norling, executive vice-president and general manager of Motorola's Semiconductor Products Sector, said: "Our partnership with Thomson-CSF expands our position in the European Risc market."

Thomson-CSF's endorsement of the 88000 represents an important boost for Motorola in the highly competitive Risc microprocessor market. More than 50 companies are designing products based on the 88000, and more than 200 are evaluating the microprocessor, Motorola claimed.

● Motorola also said that the US International Trade Commission has voted to investigate its cellular telephone patent infringement complaint against Nokia, Tandy and related companies, Reuter reports.

Motorola filed a complaint last month with the ITC, seeking to stop imports into the US and sales of portable and mobile cellular radio telephones that infringe Motorola patents.

The company said it had asked the agency to issue orders to stop Nokia and Tandy from importing cellular radio phones, primarily from South Korea, that Motorola claims infringe seven patents.

The ITC is expected to hold preliminary hearings in July and others in December.

CP revalues property side

By Robert Gibbens

CANADIAN PACIFIC has updated the valuation of its enormous property portfolio to well over C$5bn (US$4.2bn) and is believed to be ready to put these assets into a separate public company or combine them with another real estate group.

CP's Marathon Realty subsidiary has long been regarded as a sleeping giant. CP has also been criticised for tardy development of railway properties.

California insurers retreat on Prop 103

By Louise Kehoe in San Francisco

THE ASSOCIATION of California Insurance Companies is not to appeal against the California Supreme Court's decision to implement most of Proposition 103, the insurance rate-cutting measure passed by voters in November.

Individual insurance companies and the industry group had appealed to the State Supreme Court to rule Proposition 103 unconstitutional, claiming its effects were "confiscatory." The court ruled against the insurers but modified the ballot measure to allow insurers to earn a "fair return."

Mr Edward Levy, general manager of the industry group, said: "The Supreme Court essentially rewrote Prop 103 to provide that insurance companies are entitled to 'fair and reasonable rates,' instead of having to show a 'substantial threat of insolvency' before rolling back their rates."

Under Proposition 103, casualty and property insurancers must reduce premiums to 20 per cent below 1987 levels unless they can prove that the reductions would deny them a fair return.

Most of the state's insurers are expected to apply for exemption from the rate cuts, and will be considered on a "company by company basis," said Ms Roxani Gillespie, State Insurance Commissioner, last week.

"After reviewing the court's decision we have concluded that an appeal is not the best course for us," the industry group said.

"We will be working with the California Insurance Department and the legislature to implement Prop 103 in an efficient and reasonable manner. In addition, we are meeting with legislators, consumers and community groups to develop ways to reduce the cost of providing insurance, so that rate reductions can become a reality."

The insurance industry plans a nationwide publicity campaign aimed at defeating measures similar to Proposition 103 in other states. The theme outlined by the industry representative is that Proposition 103 does not address any of the underlying causes of high insurance rates such as high hospital and medical costs, high auto repair costs or rising legal costs.

"Our decision not to appeal does not affect the rights of any insurance company to appeal. However, we know of no such appeals that are being planned at this time," said the group.

INTERNATIONAL COMPANIES AND FINANCE

JAPANESE COMPANY RESULTS

Mazda shows 90% interim gain to Y7bn net

By Stefan Wagstyl in Tokyo

MAZDA MOTOR, the Japanese car maker which is closely affiliated to Ford of the US, yesterday reported a sharp increase in interim profits due to strong sales at home and overseas.

However, the company warned that "successive new model introduction by many manufacturers in Japan and overseas aggravated severe competition in the auto industry."

Mazda was reporting parent company results for the five months to March as it is changing the date of its year-end. Comparisons are with the six-month period to the end of April 1988.

In the five months, pre-tax profits rose to Y17.4bn ($122.8m), or 93.3 per cent higher than in the comparable six months last year. Net income was 89.8 per cent higher at Y7.0bn. Sales rose 9.6 per cent to Y784.9bn.

The company said the market was strong although in Japan the introduction of tax changes on April 1 this year persuaded many potential buyers to postpone their purchases.

Mazda said it redoubled efforts to enrich its model line-up and cut costs. Unit sales in the five months were 486,739 vehicles, only 0.9 per cent fewer than in the comparable six months. Vehicle exports fell 5.5 per cent but overall exports rose 5.6 per cent to Y490bn due to increased sales of parts.

Exports were 62.5 per cent of total sales, similar to previous years.

For the current year Mazda forecast sales of Y1,940bn, up from Y1,844bn, and pre-tax profits of Y24bn, against Y15.1bn.

● Yamaha Motor, the second largest Japanese motorcycle maker, yesterday reported a 19.8 per cent increase in annual pre-tax profits to Y5.8bn due to a sharp increase in sales of engines to Toyota Motor and to Ford.

In the year to the end of March, the parent company's sales rose 12 per cent to Y391bn. Motorcycle sales, which account for about 40 per cent of the total, rose by only 3 per cent due to a decline in domestic sales. The overall increase in turnover was caused by a 46.7 per cent rise in automobile engine sales, as well as increases in marine engines and boats.

For the current year, Yamaha forecasts sales of Y405bn and pre-tax profits of Y6.5bn.

Zaitech skills help Hanwa rise by 16%

By Stefan Wagstyl

HANWA, THE Japanese steel trading company which has made a fortune from aggressive investment in financial markets, yesterday reported a 16 per cent increase in pre-tax profits to Y31.3bn ($220.8m) due largely to higher investment income.

Mr Shigeru Kita, the company's president, is known as the god of *zaitech*, or financial engineering, in recognition of his investment skills. Recently the company has been exploiting the gap in interest rates between commercial paper (where rates are very low) and short-term deposits.

By deluging the market with paper, Hanwa at the end of April accounted for Y1,670bn of the commercial paper in issue, or 17 per cent of the market.

Reporting parent company results for the year to March, Hanwa said sales were 9.7 per cent higher at Y663.5bn. Net profit was Y16.7bn (Y11.1bn) and the dividend Y12 (Y11.5).

The company forecasts for the coming year sales of Y710bn and pre-tax profits of Y39bn.

Mitsui's chemicals arm ahead

By Robert Thomson in Tokyo

MITSUI PETROCHEMICAL, a member of the Mitsui group of Japan, has reported a 75.7 per cent increase in annual pre-tax profit to Y32.3bn ($227.9m) after continuing growth in sales of synthetic resins and petrochemical products.

Production cuts in developed countries in recent years and strong domestic demand have created a tightness in the petrochemical market, and Mitsui and other Japanese petrochemical companies have attempted to increase profitability by reducing their debts.

The company's sales last year were Y262.19bn, up 12.8 per cent, and they are expected to rise to Y283bn this year, producing a pre-tax profit of around Y33bn.

Mitsubishi Petrochemical, the petrochemical company jointly established by the Mitsubishi and Shell groups, announced a pre-tax profit of Y13.9 bn for irregular three-month fiscal material, period ended in March.

In this full year, pre-tax profit is expected to reach Y54bn on sales of Y360bn. Profits will be influenced by fluctuations in the price of naphtha, the primary raw material, as about 75 per cent of Japanese stocks are imported.

● Mitsubishi Chemical, an integrated chemical company which is part of the Mitsubishi group, reported pre-tax profits of Y18.77bn for a six-month period to start a new financial year ending in March.

Sales were Y346.3bn, up 5.1 per cent on annualised basis, with demand for polyethelene and petrochemicals buoyant.

JVC trims costs to lift net profit 67%

By Robert Thomson

VICTOR COMPANY of Japan (JVC), the consumer audio and video equipment maker, showed a 67 per cent increase in annual consolidated net profit to Y15.02bn ($106m) after growth in sales of its mainstream products and a successful trimming of production costs.

The group recorded a 14 per cent increase in sales to Y820.9bn, and expects that the effects of a cost reduction programme, similar to those adopted by other companies in the industry, will improve profitability slightly in the first half this year, despite currency fluctuations and lower product prices.

Exports last year rose 17 per cent, while in the second half there was a 1 per cent fall in the value of domestic sales, which accounted for 51 per cent of total revenue.

Domestic sales were affected by strong competition in the consumer electronics sector, and the introduction earlier this year of a consumption tax, which resulted in a general downturn in purchases.

Sales of video and related equipment rose by 14 per cent and audio equipment by 16 per cent. Television sales increased by 11 per cent, information equipment by 12 per cent, and records and music tapes by 14 per cent.

The company said it intends to continue a policy of releasing more products with higher added value and of attempting to expand sales in the professional audio and video equipment market.

On a parent company basis, pre-tax profits were Y10.60bn compared with Y10.49bn, on sales of Y312.91bn against Y308.92bn.

Domestic demand buoys Japanese printing duo

By Stefan Wagstyl

DAI NIPPON PRINTING and Toppan Printing, Japan's two largest printing companies, have reported sharp increases in annual sales and profits because of strong domestic demand.

Both companies have been expanding rapidly into fast-growing electronics-related printing including integrated circuit cards.

The two groups reported parent company profits for the year to the end of March.

Dai Nippon posted a 30.5 per cent rise in pre-tax profits to Y63.7bn on sales 33 per cent higher at Y906.6bn.

Net profits were Y29.6bn (Y23.6bn) and the dividend was Y10 (Y8.5).

At Toppan, pre-tax profits rose by 49.3 per cent to Y51.8bn on sales 32 per cent higher at Y734.0bn. Net profits were Y24.7bn (Y17.0bn) and the dividend was raised to Y10 (Y7.5).

Both companies forecast strong growth in the current year.

Dai Nippon forecasts sales of Y960bn and profits of Y67bn pre-tax. Toppan forecasts sales of Y775bn and pre-tax profits of Y55bn.

Morinaga up 87% before tax

MORINAGA & CO, one of Japan's leading confectioners, recorded an 87 per cent increase in pre-tax profits in the year to March to Y3.20bn ($22.6m), AP-DJ reports from Tokyo.

Sales rose 6.1 per cent to Y125.7bn. Net income, however, fell 40.2 per cent to Y4.19bn, attributed by a Morinaga official to unusual losses connected with the disposal of factory property.

He termed the adjustment a one-time event.

Otherwise, the gain in pre-tax profits was tied to healthy sales performance.

The company predicted that in the current year sales would move higher to Y135bn, with pre-tax profit of Y3.8bn and net income at Y1.8bn.

● Meiji Milk Products, Japan's second largest maker of dairy products, edged up pre-tax earnings in its March year by 1.9 per cent to Y6.88bn due partly to growing milk consumption.

Because of a drop in taxes, net profits climbed 13.7 per cent to Y2.84bn on revenue totalling Y374.5bn, up 3.8 per cent.

For the current year Meiji Milk sees sales rising to about Y388bn, with profits of Y7.1bn at the pre-tax level and Y2.9bn net.

Goodman to sell Henry Jones jams offshoot

By Our Financial Staff

GOODMAN FIELDER Wattie, the Australasian foods group whose bid battle with Ranks Hovis McDougall of the UK was terminated this week, is to sell its Henry Jones conserve business to J.M. Smucker, the biggest jams producer in the US.

Although no price was disclosed, Goodman said Henry Jones had annual turnover of A$25m (US$18.6m). It makes honey as well as fruit preserves, some of which are sold under the IXL brand. The unit was formerly owned by Elders IXL. The Ohio-based Smucker, with annual sales of more than US$300m, markets under its own name and others including Dickinson's and Goober Jelly. A year ago it bought Elsenham Quality Foods from Whitbread of the UK.

News Corp cuts stake in Australian TV network

NEWS CORPORATION, Mr Rupert Murdoch's Australia-based international media company, has reduced its holding in an Australian television network to meet media cross-ownership requirements, AP-DJ reports from Sydney.

It sold 22.75m shares in Northern Star Holdings for A$34.4m (US$25.5m) to Daily Mail & General Trust, which controls Britain's Associated Newspapers.

Daily Mail & General also sold some Northern Star shares, but as a result of the transactions, its holding in the network rises to 14.5 per cent from about 10 per cent, Northern Star said.

News Corp's stake falls to slightly less than 5 per cent from nearly 15 per cent.

The main shareholder in Northern Star is Westfield Capital, which has raised its holding to 51.3 per cent from 48 per cent.

MCA of the US has an option to buy 10 per cent of Northern Star.

News Corp sold the Northern Star shares for A$1.51 each, compared with Monday's closing market price of A$1.10.

Mr Murdoch had to reduce his holding in the television network under government requirements. News Corp is Australia's biggest newspaper publisher.

Allied expects difficult year

By Jim Jones

ALLIED GROUP, the South African building society and financial services company, suffered from narrower margins during the year to March as emphasis was placed on acquiring market share.

The directors say competition was particularly stiff in mortgage lending but that Allied decided not to allow its share of the market to fall. The directors expect the present year to be difficult.

Advances rose to R6.92bn ($2.49bn) from R5.67bn and total assets increased to R8.55bn from R7.08bn. Interest income rose to R1.23bn from R884m but the pre-tax profit was cut to R72.0m from R102.3m.

INTERNATIONAL CAPITAL MARKETS

Autostrade raising Ecu150m in 10-year loan

By Stephen Fidler

AUTOSTRADE, the Italian state motorway concern, is raising Ecu150m in the international markets through a 10-year loan to be arranged by Banco di Roma.

The loan, guaranteed by Italstat, part of IRI, the state industrial holding concern, carries an interest margin of 18¾ basis points over London interbank offered rates for the first two years and 20 basis points over the remainder.

Repayment will be in eight semi-annual instalments starting 78 months after the signing. Front-end fees range down from 15 basis points.

● The Kingdom of Thailand has announced a long-awaited Eurocommercial paper programme which has been arranged by J.P. Morgan Securities. Other dealers on the $300m programme are Credit Suisse First Boston, Daiwa Europe and Merrill Lynch International.

Japan to open up fund management

JAPAN IS expected to allow foreign fund management companies to enter the investment trust management industry by the end of the year, according to a Finance Ministry study, Reuter reports.

The move would be aimed partly at encouraging competition in the Y54,000bn ($380bn) market. Close initial scrutiny of each candidate would be needed to protect investors, the MoF said.

Shearson Lehman Hutton Asset Management, S.G. Warburg Group, Credit Suisse Investment Advisory and Paribas Asset Management Japan are among firms thought to be seeking entrance to the market.

The report opposed the entrance of domestic financial institutions into the fund management business, saying their stock holdings could lead to conflicts of interest.

It suggested the MoF should wait to make a final decision until debates within other ministerial panels on the abolition of divisions between the banking and securities industries were resolved.

The MoF is also considering abolishing its guideline that foreign securities firms in Japan should keep their total debts at a maximum of five times owned capital.

The move is in line with the introduction of capital adequacy rules for resident securities houses, expected to take effect in early 1990.

The MoF is expected to announce a decision by mid-June.

Brierley to float Air NZ stake by October

THE FLOTATION of 30 per cent of Air New Zealand is expected to be completed by October this year, Brierley Investments announced yesterday, AP-DJ reports. It will be the first big public share issue in Wellington since late 1987.

Brierley, the New Zealand finance and investment group headed by Sir Ron Brierley, named Ord O-Connor Grieve, the Wellington broker, as lead manager to the issue. Westpac Banking will be lead underwriter. Co-managers for the placement will be Jarden Morgan NZ and Buttle Wilson.

About 70m shares will be issued to the public, with a further 14m shares allocated to management and staff.

Brierley gave the New Zealand Government an undertaking to sell 30 per cent of Air NZ when it acquired a 65 per cent stake earlier this year. Brierley was part of a consortium comprising Qantas, the Australian airline, which holds 19.9 per cent of Air NZ, Japan Air Lines and American Airlines, which each hold 7.5 per cent.

Mr Bob Matthew, head of Brierley's New Zealand operations, said the underwriting and management team would begin working immediately through the complex planning and implementation stages of the placement.

He said he expected to see the shares placed and publicly listed well before the end of the year, hopefully by October. The aim was to achieve an initial base of more than 30,000 individual shareholders for Air NZ, he said.

No price for the issue was given. The Brierley consortium paid the New Zealand Government NZ$660m (US$392.8m) for the 280m shares. Under the terms of purchase Brierley agreed not to make any profit on the eventual resale of the 30 per cent share block.

The airline was privatised by the New Zealand Government as part of an extensive programme of selling state-owned assets to repay debt.

Austrian bank surprises with Eurosterling issue

By Andrew Freeman

TO THE AMAZEMENT of syndicate managers, the Eurosterling sector was tapped yesterday when Warburg Securities was the lead manager of a £100m issue for Oesterreichische Kontrollbank, the Austrian bank.

There was criticism of the timing of the deal, which came during a period of sterling weakness and ahead of UK trade figures tomorrow. European investors were said to be worried about UK inflation, while the sharp fall of sterling against the D-Mark had made them extremely wary of the UK currency. The OKB three-year bonds came with a 12 per cent coupon and were priced at 100⅞ to yield 57 basis points over the equivalent UK government issue.

The lead manager was quoting the paper late in the day at less 1¼ bid, just inside underwriting fees of 1⅜ per cent. However, the open market price was less 1⅝ bid, amid comment that continental demand was not forthcoming. The lead manager said demand was expected from UK institutions as well as central banks.

New-issue traders praised the pricing of the deal, saying it offered an attractive yield pick-up for domestic institutions. There was some switching activity out of older three-year sterling paper.

Warburg was also praised for its decision to reduce the praecipuum, the portion of management fees taken by the lead manager, to 1/16 from the normal ⅛ point. "We see this as the level the market will accept at the moment," a Warburg official said.

The OKB deal was swapped, although the lead manager refused to comment. It is understood that Norinchukin was the swap counterparty in what was described as a complex transaction. Norinchukin was also the swap counterparty to Monday's Austria $100m deal brought by Merrill Lynch.

A Norinchukin official said it had been difficult to achieve the borrower's funding target using ordinary swaps, and that a complicated deal involving several participants had been necessary. However, the official declined to describe the swap in more detail.

Traders speculated that the issue proceeds had been partly swapped into D-Marks, and that a further swap into yen was the key to achieving the funding target, thought to be around 40/45 basis points below dollar Libor. A straight swap would only have achieved around 25 basis points below Libor at yesterday's rates.

Late in the day, Goldman Sachs brought an oil-linked $100m tap deal for Union Bank of Finland, with an initial $50m tranche. The three-year bonds are priced at 101⅛ and have the yield characteristics of a floating-rate note issue, with a semi-annual coupon linked to oil prices. The principal will be redeemed at par.

In Germany yesterday, prices rose around 30 pfennigs amid short-covering, helped by the stabilisation of the US dollar after its recent rise.

Among new issues, DG Bank was the lead manager of a DM200m eight-year deal for National Bank of Hungary which came with an 8 per cent coupon and was priced at par. The last two issues by the same borrower had coupons of 6¾ per cent.

The deal had an average reception, trading on fees at less 2¼ bid early on, before slipping just outside fees in later trading. At less 2¼, the bonds yield 8.44 per cent, an attractive pick-up over domestic bonds for retail investors.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Union Bank of Finland(c)◆	50	11¾	101⅛	1992	1⅛/⅞	Goldman Sachs Int.
Press Kogyo Co.‡	100	(4½)	100	1993	2¼/1½	Nomura Int.
Seika Corp.‡	80	(5)	100	1993	2¼/1½	Daiwa Europe
Eagle(d)‡◆	45	22bp	100.10	1996	10/6bp	Yasuda Trust (Europe)
STERLING						
Oest. Kontrollbank(a)◆	100	12	100⅞	1992	1⅜/⅞	Warburg Securities
D-MARKS						
National Bk of Hungary(e)◆	200	8	100	1997	2¼/1½	DG Bank
Eurofima(e)◆	150	8⅛	101⅛	1995	1¾/1⅞	Deutsche Bank
THK Co.(a)◆★	50	7½	101½	1994	1⅝/1¼	IBJ (Germany)
DANISH KRONER						
Commerzbank O'seas Fin.(a)◆	300	Zero	70¾	1993	1⅝/⅞	Privatbanken
PESETAS						
EIB(e)◆	10bn	12.20	100	1994	1⅝/1	B.Santander de Negocios
YEN						
Den Danske Bank(b)◆	5bn	7	101⅝	1993	1⅝/1⅛	Nippon Credit Int.

★★Private placement. ◆Final terms. ‡With equity warrants. ‡Floating rate notes. a) Non-callable. b) Redemption linked to Nikkei stock index. c) First coupon 11¾%, subsequent coupons will be linked through a formula to US sweet crude oil price. Additional $50m on tap. d) 22bp over 6-month Libor. Secured by SEK Euro-yen bonds. e) Unlisted. Coupon paid in D-Marks. Borrower option to repay principal in either D-Marks or US$ at strike price of DM1.80.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on May 23

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alberta 9¾ 95	600	100¾	101	+0¼	+1¼	9.17
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (three-month; above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Treasuries dip as durable goods orders surge ahead

By Karen Zagor in New York and Katharine Campbell in London

US TREASURY bonds slipped slightly yesterday morning on the back of an unexpected jump in April's durable goods orders and a slightly weakened dollar.

At midday the Treasury's benchmark 30-year long bond was 102⅔, down ⅛ and yielding 8.61 per cent.

GOVERNMENT BONDS

The dollar started the day in New York on a weaker note at Y141.48 and DM2.0042 after trading as high as Y143.10 and DM2.0285 overnight in Tokyo. The release of the durable goods data had little impact on the US currency, which was trading at Y141.65 and DM2.0046 in the early afternoon.

Analysts had expected April's new factory orders for durable goods to rise by about 0.5 per cent from March. The actual increase of 2.9 per cent was spread throughout industrial categories, rather than being concentrated in one or two areas.

Excluding the transportation sector, which is considered the most erratic, durable goods orders rose 3.9 per cent after falling 2.6 per cent the previous month. This is the largest gain since April 1987, when durable goods excluding transportation rose 4.8 per cent.

The figures are generally considered unreliable as economic indicators since they are subject to wide fluctuation. However, the breadth and size of April's figures do not suggest the economy is slowing. Analysts said they provided the Fed with another reason for not easing monetary policy.

The Federal Reserve again drained reserves from the banking system by conducting two-day matched sales. The Fed funds rate was 9⅞ per cent when the Fed entered the market and firmed slightly to 9¾ per cent.

The market is now looking to personal income and spending figures which are due on Friday, with increases of about 0.7 per cent for both statistical series expected.

THE Japanese market was paying close attention to the dollar as it breached the Y143 level during the Tokyo day, with simmering fears of a discount rate rise further enhancing the bearish tone.

Heavy professional selling as the market opened took the yield on the No.111 benchmark bond as low as 5.46 per cent at one point, although it closed a few basis points firmer on technical factors. Turnover was high compared with the past week or two, with about Y1,500bn worth of benchmark paper changing hands.

The June auction of new 10-year paper, which had been expected this week, is thought to have been postponed until early June, after passage of the 1989/90 budget before parliament next week.

If the much-touted discount rate increase finally occurs – it is rumoured it may come tomorrow or Friday – dealers expect the new coupon could be as high as 5 per cent.

Short-term CD rates amply illustrated interest rate pressures, and the three-month rate rose to 5.22 per cent yesterday after 5.06 per cent on Monday and well under 5 per cent last week.

STERLING'S dramatic drop of about three pfennigs against the D-Mark late yesterday shaved at least a ½ point off the long end of the UK gilt-edged securities market, in spite of the presence of the Bank of England buying in stock from the market.

On Liffe, the June futures contract reached another significant low level as it plummeted through 94-16 to close at 94.07, ⅝ of a point weaker than Monday's settlement. Yields on the benchmark Treasury stock 2003-2007 are now 9.91 per cent.

The currency's drop was precipitated by Mrs Thatcher's remarks to parliament on inflation, which were interpreted as expressing satisfaction with current interest rate levels. But they immediately invited currency dealers to test the government's commitment to defending sterling, making a base rate increase more likely and increasing nervousness in the gilts market.

VOLATILE trading characterised the German trading day, largely as a result of what dealers characterised as technical factors. With a cessation in the dollar's relentless advance yesterday morning, bond prices firmed and were around 20 pfennigs stronger at the official fixings.

Futures prices dipped briefly, however, in the afternoon as stronger-than-expected durable goods figures out of the US suggested that any talk of lower American interest rates might be premature.

A short squeeze on Liffe in London apparently boosted prices in the last five minutes of trading, as locals who were too short of stock to straighten their overnight positions found no bidders. Prices reportedly climbed rapidly almost 20 basis points before closing at 93.07.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	106-00	-6/32	11.27	10.98	11.33
		9.750	1/98	96-08	-6/32	10.41	10.28	10.42
		9.000	10/08	96-18	-10/32	9.39	9.30	9.41
US TREASURY *		8.875	2/99	101-15	-7/32	8.65	8.67	9.16
		8.875	2/19	102-25	-3/32	8.61	8.65	8.99
JAPAN	No 111	4.600	6/98	95.0103	-0.028	5.42	5.37	5.28
	No 2	5.700	3/07	105.3084	-	5.13	5.07	5.06
GERMANY		6.375	11/98	95.4500	+0.450	7.04	7.07	6.80
FRANCE	BTAN	8.000	1/94	96.4529	+0.109	8.94	8.96	8.96
	OAT	8.125	5/99	95.8300	+0.330	8.76	8.85	8.80
CANADA *		10.250	12/98	103.3750	+0.500	9.70	9.84	10.29
NETHERLANDS		6.7500	10/98	95.1250	+0.050	7.48	7.41	7.06
AUSTRALIA		12.000	7/99	91.0217	+0.254	13.64	13.49	13.41

London closing. *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

ICCH struggles back into fighting trim

Katharine Campbell on the drastic reorganisation at a commodities clearing house

THE International Commodities Clearing House used to be content to bask in its 100-year-old tradition of clearing commodities markets in London and around the world.

But Mr Martin Eades, the new group managing director, is unimpressed with tradition. As the last piece in a jigsaw where the constituent parts have been considerably shuffled in the last 18 months, he arrives at a crucial point for the organisation.

The progenitor of commodities markets in far-flung corners of the globe, and one of the pioneers of electronic futures trading systems, ICCH is now not only surrounded by fully fledged exchanges that believe they can do ICCH's job better, but it faces stiff competition from software houses offering competing trading and management systems.

This, coupled with a period of disenchantment and lack of direction after long-standing chairman Mr Ian McGaw announced his resignation nine months before a successor was appointed, has sapped morale at ICCH's London headquarters.

But Mr Eades, an energetic and outspoken character who boasts he knew "zero" about futures and options when he joined the organisation in February, is impatient with the old operating styles and is ruffling a few feathers in the cosier corners of ICCH.

"It is no use laying eggs if you fail to hatch them," is a favourite refrain of his.

His experience, which is concentrated in the field of information technology, will ensure a heavily systems-orientated approach.

He betrays considerable impatience to speed up long-running projects, such as the migration of the whole organisation from IBM to DEC hardware, as well as hastening the launch of some management systems that have long been in the works.

He has joined towards the end of a long period of reorganisation at ICCH. It aims to formalise a clear split between the utility-type functions of the London guaranteeing and clearing division – just renamed the London Clearing House – and the profits-driven systems subsidiary, which exists to sell consulting skills and technology to financial markets around the world.

Australian, New Zealand and Hong Kong markets, in which ICCH has a varying degree of responsibility, are run separately.

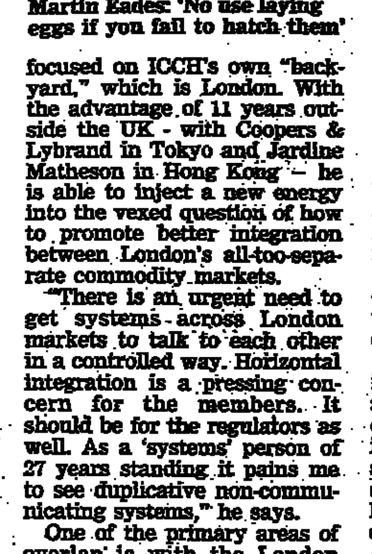
The split helps to quieten ICCH critics who saw in the old grouping a considerable conflict of interest between its clearing operations and its more commercially-minded side, marketing client accounting packages and the like.

The new systems subsidiary, called ICCH Financial Markets, represents a drastic rationalisation of three groups, themselves the product of an earlier phase of the shuffle.

But these overlapped considerably, according to Mr Eades. Since joining he has devoted most of his time to this area – which, unlike the clearing house, he runs himself – and has already thoroughly trimmed the operation.

Some observers believe he may ultimately be grooming the division for flotation or sale. The six UK banks with shareholdings in ICCH, and who have been known to be restless in the past, may eventually become impatient with their involvement in what is effectively being turned into a computer software house.

Meanwhile, Mr Eades says his immediate attentions are focused on ICCH's own "backyard," which is London. With the advantage of 11 years outside the UK - with Coopers & Lybrand in Tokyo and Jardine Matheson in Hong Kong – he is able to inject a new energy into the vexed question of how to promote better integration between London's all-too-separate commodity markets.



Martin Eades: 'No use laying eggs if you fail to hatch them'

"There is an urgent need to get systems across London markets to talk to each other in a controlled way. Horizontal integration is a pressing concern for the members. It should be for the regulators as well. As a 'systems' person of 27 years standing it pains me to see duplicative non-communicating systems," he says.

One of the primary areas of overlap is with the London Financial Futures Exchange. Liffe, disenchanted with the old ICCH, built its own trade registration and settlements systems and is in the midst of a clearing processing system (CPS), which performs many of the same functions as ICCH's new Arch system.

Mr Eades regrets the old "self-importance" of ICCH that allowed such a situation to develop but is not one to cry over spilt milk.

Current discussions with Liffe are therefore focusing on how to make the various systems more compatible and, as far as the rest of London's markets go, Mr Eades sounds more concerned with compatibility than whether the various markets actually opt for his house's systems.

ICCH is shortly to embark on a wider strategic review, addressing those areas where competitors are encroaching on its territory.

By Mr Eades's own admission "there is an evolution within the exchanges which leads them to perceive that new product development is not the only thing, and that clearing and information related functions are potentially just as important."

This lesson is the fruit of a diminished role in the new Hong Kong futures exchange, and noises from the Sydney Futures Exchange that they may be giving notice on their 12-month contract – probably one of ICCH's most lucrative – to develop their own in-house clearing system.

While the group may be facing an erosion of its role in some of the further flung parts of its empire, the IFM division is hoping to capitalise on the steady stream of new European derivatives exchanges. Mr Eades says he recognises one of the organisation's key strengths to its experience in setting up new markets.

The concept of Liffe grew from a paper commissioned by ICCH. The group also played a large part in the launch of the Matif as well as in a high profile portion of other non-US derivatives markets.

"In straight systems terms there is no way that we can compete with a major software house. What we are selling is the ability to create and run the infrastructure of a new exchange," he explains.

A project in Barcelona, to set up a new futures market, has in principle seen ICCH employed as a consultant, although terms of the deal have yet to be clarified. The group has also been bidding for a new exchange in Brussels.

According to one ICCH official, it has been invited in by the nascent Deutsche Terminbörse for discussions on an alternative margining system after the exchange opens next year – a development that may cause some unease within Arthur Andersen, who are sole consultants to the project.

A keen proponent of automated trading systems, Mr Eades has inherited the ATS/2 system, an upgraded version of the screen trading network installed in New Zealand in 1985.

The new Irish exchange, Ifox, scheduled to start trading next Monday, represents the guinea-pig for the new system.

As well as having designs on the new European ventures, ICCH is bidding actively for the job of upgrading the London Traded Options Market's systems, which could include the eventual introduction of ATS/2.

In spite of his avowed intention to cultivate markets close to home, Mr Eades' Far Eastern connections will not go to waste.

He says he is personally investigating the possibilities of futures in South Korea, and Taiwan is also on the agenda. Meanwhile in Tokyo he is exploring a joint venture with a leading Japanese securities house.

Amex to launch options in fixed-income securities

THE AMERICAN Stock Exchange is planning to enter the options market for fixed-income securities for the first time with a product that links the exchange directly to a broker in US Treasury securities, writes Stephen Fidler.

Mr Kenneth Leibler, the exchange's president, said it planned to launch options on on-the-run US Treasury securities which would connect the exchange's technology directly to the screens of Fundamental Brokers Inc (FBI), which is one of the largest brokers in US government securities.

Options prices will be available on screens in the dealing rooms of the primary dealers in US government stock. They will be able to direct buy and sell orders through the FBI screens to the Amex floor.

The exchange, which expects to begin with a short-term contract which it sees as under-represented, such as the six-month T-bill, hopes that posting prices on brokers' screens will allow them to overcome their late entry to the fixed-income market. Its target for start-up is the third quarter of this year.

Mr Leibler also said that if the exchange's newly-launched international market index contract, which allows hedging of an international equity portfolio, proved a sucess, the exchange would consider developing the idea and perhaps introducing single country indexes.

The exchange's new equity index participations, a product allowing investors to take positions in an equity index which provides a dividend stream for those holding long positions, had traded more actively than the competing product in Philadelphia, he added.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS Figures in parentheses show number of stocks per section	Tuesday May 23 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1989 to date	Mon May 22 Index No.	Fri May 19 Index No.	Thu May 18 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (206)	978.40	-1.0	10.42	3.96	11.81	12.70	988.41	1005.51	986.57	753.71
2 Building Materials (29)	1247.53	-1.5	11.59	4.10	10.65	17.91	1266.61	1287.14	1252.79	983.14
3 Contracting, Construction (38)	1717.56	-1.2	13.08	4.09	10.00	29.32	1738.52	1764.19	1713.70	1562.89
4 Electricals (9)	2846.29	-1.0	8.69	4.11	13.91	49.45	2873.76	2951.80	2889.92	2070.89
5 Electronics (30)	2227.45	-1.4	8.61	3.65	15.09	14.70	2259.97	2308.22	2271.21	1599.75
6 Mechanical Engineering (54)	527.63	-0.4	9.76	3.89	12.59	7.62	529.96	536.60	525.15	385.35
8 Metals and Metal Forming (7)	553.39	-0.4	14.08	5.40	8.05	2.84	555.60	562.47	555.95	456.77
9 Motors (17)	324.01	-0.5	11.54	4.69	10.15	6.69	325.73	329.74	324.89	267.73
10 Other Industrial Materials (22)	1626.04	-0.8	9.26	4.17	12.90	25.11	1638.95	1674.09	1654.88	1236.42
21 CONSUMER GROUP (186)	1220.48	-0.9	9.80	3.63	13.92	13.82	1231.98	1254.08	1233.48	1057.28
22 Brewers and Distillers (22)	1303.96	-1.2	10.43	3.70	12.65	16.42	1319.54	1353.53	1329.82	1161.43
25 Food Manufacturing (20)	1071.81	-1.0	9.55	3.86	13.11	14.86	1082.38	1102.21	1078.01	911.04
26 Food Retailing (15)	2231.48	-0.5	8.77	3.32	15.01	17.33	2241.87	2268.79	2232.25	1995.24
27 Health and Household (14)	2298.70	-0.5	6.25	2.54	18.23	14.41	2311.08	2328.78	2285.71	1785.07
29 Leisure (33)	1649.21	-0.8	7.48	3.30	16.80	21.13	1662.84	1703.94	1681.32	1203.70
31 Packaging & Paper (15)	573.78	-0.2	10.08	4.24	12.49	7.10	575.13	579.66	577.18	485.66
32 Publishing & Printing (18)	3568.69	-0.9	9.19	4.53	13.64	44.70	3599.80	3612.96	3602.28	3292.38
34 Stores (34)	808.40	-1.8	11.03	4.41	11.88	11.48	822.99	848.70	831.53	807.33
35 Textiles (15)	536.82	-0.8	11.51	5.25	10.57	6.92	540.40	548.22	542.43	508.55
40 OTHER GROUPS (94)	1115.99	......	9.88	4.10	12.31	10.43	1116.32	1130.39	1122.66	858.35
41 Agencies (18)	1406.93	+0.6	6.68	2.33	18.67	14.91	1398.87	1413.81	1411.73	1112.46
42 Chemicals (22)	1277.91	-0.2	11.07	4.62	10.67	26.31	1280.86	1284.64	1268.55	981.964
43 Conglomerates (12)	1596.31	-0.3	10.45	5.00	11.25	9.84	1601.84	1621.44	1604.01	1149.03
45 Transport (13)	2455.68	-0.4	8.06	3.52	16.10	22.16	2466.18	2499.47	2462.95	1918.94
47 Telephone Networks (2)	1153.44	+0.5	10.18	4.87	12.77	0.00	1148.17	1175.21	1179.42	942.10
48 Miscellaneous (27)	1516.65	-0.3	10.35	3.90	10.97	22.24	1520.80	1530.09	1515.72	1106.93
49 INDUSTRIAL GROUP (486)	1150.72	-0.7	9.65	3.86	12.80	12.92	1158.87	1177.70	1160.73	934.49
51 Oil & Gas (14)	2016.85	-0.6	10.32	5.50	12.08	51.88	2029.50	2049.53	2039.04	1798.92
59 500 SHARE INDEX (500)	1224.65	-0.7	9.74	4.07	12.81	16.01	1233.28	1252.24	1235.66	1007.46
61 FINANCIAL GROUP (123)	744.94	-0.9	-	5.18	-	15.68	751.52	760.19	756.11	682.95
62 Banks (8)	744.13	-1.4	23.99	6.43	5.47	21.71	754.37	761.27	754.81	645.20
65 Insurance (Life) (8)	1056.98	-1.2	-	5.65	-	29.86	1069.66	1086.40	1079.12	967.76
66 Insurance (Composite) (7)	585.29	-0.7	-	5.86	-	16.75	589.34	598.42	599.67	531.78
67 Insurance (Brokers) (7)	989.92	-1.5	8.00	6.37	16.73	27.06	1004.81	1013.47	1006.43	934.89
68 Merchant Banks (11)	330.37	......	-	4.57	-	3.70	330.34	331.46	330.15	350.93
69 Property (52)	1318.96	-0.4	6.01	2.74	21.10	6.98	1324.48	1342.22	1335.81	1226.52
70 Other Financial (30)	374.79	-0.5	9.95	5.62	12.71	5.93	376.62	379.42	378.31	376.01
71 Investment Trusts (72)	1157.26	-0.7	-	2.80	-	11.90	1165.05	1178.08	1177.69	855.03
81 Mining Finance (2)	621.42	-1.5	9.98	4.10	11.15	10.45	631.02	641.94	636.72	517.05
91 Overseas Traders (8)	1377.38	-1.3	9.94	5.37	11.66	34.12	1394.98	1415.53	1396.84	1070.85
99 ALL-SHARE INDEX (705)	1106.73	-0.7	-	4.20	-	15.85	1114.96	1131.41	1118.29	922.81

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	May 22	May 19	May 18	May 17	May 16	Year ago
FT-SE 100 SHARE INDEX‡	2151.6	-17.4	2162.5	2151.0	2169.0	2204.7	2177.3	2155.8	2136.7	1782.9

FIXED INTEREST

PRICE INDICES	Tue May 23	Day's change %	Mon May 22	xd adj. today	xd adj. 1989 to date
British Government					
1 5 years	117.75	-0.16	117.94	-	4.41
2 5-15 years	132.73	-0.27	133.09	-	4.62
3 Over 15 years	143.82	-0.42	144.42	-	5.92
4 Irredeemables	166.43	-1.12	168.32	-	6.10
5 All stocks	130.57	-0.26	130.92	-	4.78
Index-Linked					
6 5 years	134.58	....	134.58	-	1.36
7 Over 5 years	133.82	+0.07	133.72	-	1.28
8 All stocks	133.76	+0.07	133.67	-	1.27
9 Debentures & Loans	115.03	....	115.02	-	4.33
10 Preference	88.36	-0.06	88.41	-	3.00

AVERAGE GROSS REDEMPTION YIELDS		Tue May 23	Mon May 22	Year ago (approx.)
British Government				
1 Low	5 years	9.66	9.64	8.60
2 Coupons	15 years	9.32	9.27	9.16
3	25 years	9.15	9.07	8.99
4 Medium	5 years	10.94	10.85	9.06
5 Coupons	15 years	9.78	9.74	9.36
6	25 years	9.32	9.27	9.17
7 High	5 years	11.04	10.95	9.15
8 Coupons	15 years	9.99	9.95	9.52
9	25 years	9.48	9.44	9.25
10 Irredeemables	†	9.15	9.04	8.85
Index-Linked				
11 Inflation rate 5%	5yrs.	3.82	3.81	2.48
12 Inflation rate 5%	Over 5 yrs.	3.68	3.68	3.77
13 Inflation rate 10%	5 yrs.	3.04	3.03	1.48
14 Inflation rate 10%	Over 5 yrs.	3.50	3.51	3.60
15 Debs &	5 years	11.85	11.76	10.16
16 Loans	15 years	11.51	11.43	10.62
17	25 years	11.16	11.11	10.67
18 Preference	†	10.19	10.15	9.69

‡Opening index 2159.9; 10 am 2157.4; 11 am 2159.0; Noon 2161.2; 1 pm 2160.9; 2 pm 2157.9; 3 pm 2156.5; 4 pm 2157.6; 4.05 pm 2157.7
(a) 12.17pm (b) 9.20am † Flat yield. Highs and lows record, base dates, values and constituent changes are publised in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.
CONSTITUENT CHANGES: Chamberlain Phipps (48) has been deleted and replaced by Triton Europe (51).

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	10	83	13
Corporations, Dominion and Foreign Bonds	18	3	22
Industrials	234	598	746
Financial and Properties	88	267	301
Oils	13	46	38
Plantations	5	2	5
Mines	55	37	85
Others	70	75	103
Totals	493	1,111	1,313

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65	Nil	-	8pm	3pm	Oceana Cons.	4pm	
88	Nil	-	17pm	8pm	Porter Chadburn 5p	15pm	
17	Nil	-	1½pm	1pm	Resort Hotels	1pm	
60	Nil	-	10½pm	9pm	Senior Engineering	9½pm	+½
5	Nil	-	2pm	1pm	Scala Hldgs. 5p	1pm	
185	Nil	-	36pm	20pm	Telfos Hldgs. 20p	30pm	-3

a Annualised dividend.b Figures based on prospectus estimates.d Dividend rate paid or payable on part of capital, cover based on dividend on full capital.g Assumed dividend and yield.s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings.H Dividend and yield based on Prospectus or other offical estimates for 1989.L Estimated annualised dividend,cover and p/e based on latest annual earnings.M Dividend and yield based on Prospectus or other official estimates for 1988.N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross.R Forecast annualised dividend,cover and p/e ratio based on prospectus or other offical estimates. W Pro Forma figures.¥ Issued by tender.♦ Offered to holders of ordinary shares as a "rights".† Introduction.‡Placing price.†† Reintroduction.♦ Issued in connection with reorganisation merger or takeover.‡ Allotment price.♦ Unlisted securities market.♦ Official London listing.□ Including warrants entitlement.* Third Market.

TRADITIONAL OPTIONS

- First Dealings May 15
- Last Dealings May 26
- Last Declarations Aug 10
- For settlement Aug 21

For rate indications see end of London Share Service

Calls in Oceonics, Parkdale, Christie's Int, Cultus, McCarthy & Stone, Five Oaks, Creston, Astra Hldgs, Clogau, Brit Channel, Kell, TR Eng, Fitch Lovell, Candover, Medirace, Amstrad, Charterhall.

LONDON TRADED OPTIONS

DIXONS dominated interest in individual stocks on the London Traded Options Market yesterday, with strong two-way business seen, against a background of brokers' forecasts and talk of takeover bid. The option on the stock attracted 4,036 contracts, equivalent to just over 4m share on the underlying market, which saw 8.4m shares traded.

Almost all the Dixon's options business was on the call side, which overall found dealings of 4,036 contracts, made up of 3,688 calls and 348 puts. The major feature in the options business in it was an opening of position of 1,011 to 4,951 contracts in the June 180 calls, but there was also opening of 676 to 1,660 in the September 130 calls, and of 174 to 1,109 in the June 140 puts.

There was, however, continued strong business in the FT-SE 100 index, which attracted 7,119 contracts, or more than 20 per cent of total market turnover of 34,098 contracts. The overall business was split into 22,436 calls and 11,662 puts. Business in the index was divided between 2,588 calls and 4,531 puts, as the index itself retreated a further 17.4 points from recent highs to 2,151.6.

Cable & Wireless also caught the eye. The company attracted 3,343 contracts, made up of 2,590 calls and 753 puts, as the underlying share price rose 4p to 549p. Amstrad, which swung about on the underlying market before ending 3p down at 102p, saw 2,819 options contracts traded, of which 1,305 were calls and 1,514 puts.

Ultramar sprang into life to bring in 2,475 contracts, comprising 2,209 calls and 266 puts. The most heavily traded series in the stock was the July 330 call, which saw 1,250 contracts, along with a closing of open interest in it of 676 contracts to 711. British Steel attracted 1,540 contracts, made up of 1,073 calls and 467 puts.

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allied Lyons (*442)	420	36	50	58	4½	10	15
	460	12	27	37	23	31	36
	500	4	11	19	61	65	68
Shell Trans. (*404)	360	-	61	68	-	4	6
	390	25	33	47	6	10	12
	420	9	17	27	19	23	25
[illegible]							

Option		Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
[illegible]							
Jaguar (*317)	300	30	37	48	6	12	14
	330	8	20	29	16	23	27
Kingfisher (*304)	280	31	42	52	3½	8	13
	300	19	26	40	10	17	20
	330	6	15	22	28	34	36
Ladbroke (*596)	550	61	81	91	4½	9½	16
	600	25	48	59	20	28	35
	650	8	25	35	56	58	64
Land Secur (*582)	550	40	58	68	8	12	15
	600	12	29	40	33	38	40
M & S (*186)	180	14	22	25	5½	7½	10
	200	4	9	15	17	17	18
STC (*359)	330	40	54	65	4½	10	13
	360	21	33	46	17	24	26
	390	8	19	31	33	41	42
Sainsbury (*240)	220	23	31	37	2	3	4
	240	8	17	24	9	11	11
	260	2½	8	13	24	25	26
LASMO (*457)	441	43	62	-	14	18	-
	460	-	-	63	-	-	30
	479	21	40	-	30	35	-
P. & O. (*685)	650	62	77	97	12	20	24
	700	33	50	67	35	45	47
	750	12	28	45	70	77	77
Pilkington (*246)	240	13	24	30	11	15	17
	260	6	14	20	26	27	31
	280	7½	10½	14	20	21	22
Plessey (*267)	240	31	35	37	2½	3½	4½
	260	6	14	20	26	27	31
	280	2½	8	-	44	45	-
Prudential (*180)	160	26	31	-	3	5	-
	180	11	15	22	6	10	12
	200	5	7	12	22	24	24
Racal (*486)	460	44	65	79	13	20	22
	500	24	43	58	33	39	42
	550	10	23	37	65	68	70
R.T.Z. (*511)	460	70	-	-	4	-	-
	500	38	53	66	14	22	25
	550	13	28	40	43	47	50

Option		Calls Aug	Calls Nov	Calls Feb	Puts Aug	Puts Nov	Puts Feb
Scot. & New (*305)	300	21	32	42	16	20	26
	330	9	19	29	37	40	44
Tesco	160	25	29	36	3	4	4½
[illegible]							
THF (*308)	280	33	41	52	1½	5	7
	300	17	27	38	6	12	14
	330	5	13	21	24	28	29
Thorn EMI (*704)	650	67	78	92	3	8	14
	700	28	29	50	15	28	42
	750	5	14	22	48	54	69
TSB (*107)	100	9	11	14	1	3	3
	110	4	6	8	5	7	8
Wellcome (*454)	420	42	60	70	3	10	14
	460	14	34	46	17	26	29
	500	3	18	28	48	50	54

FT-SE INDEX (* 2151)

	Calls May	Calls June	Calls July	Calls Aug.	Puts May	Puts June	Puts July	Puts Aug.
1900	258	272	290	-	½	2	4	-
1950	208	223	242	255	1	3½	6	9
2000	158	175	197	210	1	6	11	14
2050	108	130	152	165	2½	10½	17	24
2100	63	88	112	127	5½	19	28	33
2150	23	53	77	92	18	34	42	48
2200	6	29	50	64	52	60	67	75
2250	1½	15	32	45	98	100	103	105

May 23 Total Contracts 34,098
Calls 22,436 Puts 11,662
FT-SE Index Calls 2,588 Puts 4,531
*Underlying security price.

UK COMPANY NEWS

BP cuts gearing by a further disposal of royalty interests

Chiselling into the debt mountain

By David Waller in London and James Buchan in Cleveland

BRITISH PETROLEUM continued its degearing programme yesterday with its second sale of a royalty interest in the Prudhoe Bay oil field in Alaska this year.

The latest disposal will raise \$209m (£132m) via the sale of units in a so-called Royalty Trust which entitle investors to a share of the first 90,000 barrels per day of BP's output at the field.

It follows a similar exercise in March which raised \$334m via a private placement with institutional investors, and is part of BP's plans to reduce its debt mountain.

According to analysts, gearing now stands at 100 per cent following the purchase of 790m of its own shares from the Kuwaiti Investment Office.

The royalty interest is in 16.4246 per cent of the first 90,000 barrels of BP's daily Prudhoe output, which last year averaged 652,000 barrels. From BP's point of view, the deal is designed to unlock the value latent in the field. At Prudhoe, the rate of production is at a plateau and is likely to dwindle by 10 per cent a year from the end of 1989.

"This is a way of getting the economic value from the field up front," said Mr James Ross, chief executive of BP US yesterday. "It shows the value for shareholder mentality prevailing at BP".

Analysts calculated that oil prices would have to average \$24 per barrel over the remaining life of the field for BP to make the same return by retaining the interest. The West Texas Intermediate oil price averaged \$18.45 during the first quarter of 1989.

Investors in this novel financial instrument will receive quarterly royalty payments determined by reference to the average WTI oil price less a schedule of costs. Priced at \$26 each, the yield on each of the units is likely to be around 11-12 per cent.

The latest batch of shares have been placed with institutions following a marketing exercise handled by First Boston, Goldman Sachs and Merrill Lynch.

BP's divestiture programme will receive a fillip when it completes the disposal of its mineral interests to RTZ, the mining group. This will raise \$4.3bn (£2.7bn at today's exchange rate) and should be completed by the end of next month.

RW makes steel stockholding acquisition

By Nikki Tait

RICHARDSONS Westgarth, the Surrey-based steel stockholder, is buying Berry Hill Group, a management buyout vehicle which acquired certain interests previously belonging to Longton Industrial Holdings in late-1986.

The deal is worth up to £3.73m, while Richardsons will take on debts of about £3.1m.

Richardsons is also making a two-for-seven rights issue at 60p a share, raising a net £2.7m. The money will go towards financing the £1.6m cash element of the deal and providing additional working capital.

BHG was formed three years ago, in the wake of the takeover of Longton by Thomson T-Line. It was headed by five former managers of Longton, who bought James and Tatton, Longton's steel stockholding subsidiary, as well as some fastner distribution businesses.

Richardsons said that James and Tatton, which dates back to 1884, would fit well with its own steel stockholding interests, based in St Helens and Kidderminster while James is centred on Stoke-on-Trent. It added that the deal would nearly double its buying power for steel.

It plans to sell the non-steel interests of BHG to senior managers, the same ones who headed the previous buyout.

The initial purchase price for BHG is £3.23m, of which £1.6m comes in cash and the rest through the issue of 2.38m shares to the vendors. There is a deferred profit-related cash payment of up to £525,430.

The non-steel interests are being acquired for £1, but the new buy-out team will take on debts of £1.4m. As a result, Richardsons will be left with additional debt as a result of the BHG deal of £3.1m.

No up-to-date figures are given for the pre-tax profits of BHG, but in the year to end-March 1988, it made £433,000 before inter-company management charges. This was after financing charges of £500,000. Net assets were £2.2m.

The rights issue has been underwritten by Barings. Yesterday, Richardsons shares eased 1p to 75p.

ADT cuts Christies stake to below notifiable level

By Clare Pearson

MR Michael Ashcroft's ADT, the surveillance systems and vehicle auction group, has reduced its stake in the ordinary shares of Christies International, the London auction house, less than a month after buying a substantial block of shares to take its holding to 5.8 per cent.

It is understood that the reduction, notified by ADT to Christies, represents actual selling, rather than any assumption made by ADT about the effects of last week's announcement that some of the "A" shares in the company were being converted into ordinary share capital.

It is not known how many shares ADT has sold, but the shares have fallen below the 5 per cent level at which holdings become declarable. Yesterday Christies' shares closed down 6p at 270p.

The announcement is the latest in a series of rapid changes to Christies' share register this month. Aside from the appearance of Bermuda-registered ADT, Mr Robert Holmes à Court has increased his holding to 5.9 per cent of the total, and the Wallenberg group of companies, controlled by Sweden's dominant industrial family, have agreed to buy converted "A" shares giving them a 8 per cent stake.

The conversion of "A" shares representing about 8 per cent of the total share capital arising from sales by present and former directors does not come into effect until the end of the month. Existing "A" shareholders have the right to prevent the conversion by buying the shares pro rata up until May 30.

Copson changes direction with acquisition of hotel

By John Murrell

F COPSON, the plumber and builders' merchant which is undergoing a change of direction following the arrival of a new management team, has reached agreement for the acquisition of the Letchworth Hall Hotel.

The hotel, located in Hertfordshire and valued at £4.25m, is being acquired from the Chatwani brothers, who took control of Copson earlier this year.

Initial consideration of £2.7m will be satisfied via the issue of 1.29m new Copson ordinary shares to the vendor, Kanta Enterprises, a private company wholly-owned by the Chatwani brothers. Further consideration of up to £1.75m may be payable subject to the outcome of planning permission.

In addition, it is proposed that 128,000 of the consideration shares and all of the 872,000 ordinary Copson shares currently held by Kanta be placed by Robert Fleming and Co at 220p.

Ossory arranges £49m bank finance

By Paul Cheeseright, Property Correspondent

OSSORY ESTATES, the property company, has sought to bridge the gap between the high cost of money and the medium yields of property investment by arranging £49m of bank finance linked to a preference share issue.

It called the arrangement "a unique form of funding". The borrowing techniques involved demonstrate the growing elaboration of property financing and testify to the continuing appetite of banks for property lending.

The structure of the financing was worked out by Banque Paribas Capital Markets and the funding was set up and arranged by Lloyds Bank Capital Markets. Lloyds is one of six banks actually providing the money for Ossory.

The banks are in fact lending the money to an offshore charity. The charity is routing the funds through to Ossory by means of buying an issue of preference shares, carrying a coupon of 6.5 per cent, redeemable in seven years, from a Cayman Islands subsidiary of Ossory.

But the lending comes in two parts – a £30m capital facility and a £19m interest accrual loan facility. The banks pay out £30m and collect £49m in total in seven years.

The immediate advantage to Ossory is that only the preference dividends will run through the profit and loss account. Provision for the interest accrual facility on Ossory's balance sheet is based on the assumption that property capital values will continue to rise over the facility's duration.

US conglomerate acquires 15% of suspended Eagle Trust

By Philip Coggan

IROQUOIS BRANDS, a US conglomerate chaired by Mr Malcolm Stockdale, has acquired a near 15 per cent stake in Eagle Trust, the Midlands-based miniconglomerate which is currently the subject of bid speculation.

Yesterday shares in Eagle were suspended pending the announcement of the group's preliminary results and the publication of a circular detailing "certain major proposed transactions" which are understood to disclose disposals.

Last month, Eagle announced that it had received an approach which might lead to a bid. That suitor is apparently unconnected with Iroquois.

Iroquois acquired its shares from a combination of parties including members of the Samuelson family, whose film lighting business was acquired by Eagle in 1987, and the Kuwaiti-based Coast Group. The prices paid for the shares ranged between 17¾p and 22p; the suspension price of Eagle shares was 18p.

Mr Stockdale was previously in charge of MHS Holdings, a coal mining company which was forced by the 1984/5 miners' strike into heavy losses and British Benzol, another mining company which was eventually absorbed, through a reverse takeover, into Powerscreen International, an Irish quarrying equipment company.

Shortly after the Powerscreen takeover, Mr Stockdale resigned from the Benzol board because he wished "to become involved with other private enterprises." Last year, he bought a 21 per cent stake in Iroquois for \$8.8m and then injected his private chain of British petrol stations for convertible preference shares which give him a potential 55 per cent stake.

The Houston-based Iroquois made a net loss of \$9.17m on revenues of \$59.5m last year. Mr Stockdale was unavailable for comment yesterday on his intentions regarding the Eagle stake.

Eagle Trust was briefly a "hot stock" before the 1987 crash. It was formed by a three-way merger between Mitchell Somers, Audiotronics Holdings and Midlands City Partnership and is involved in a variety of activities from builders merchanting to hydroponics.

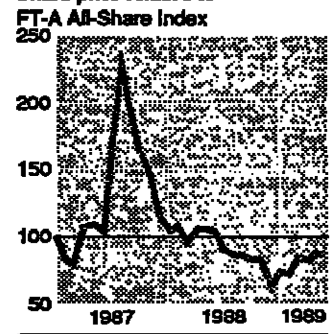
Former chairman Mr Leslie Thomas, who resigned last October, has made a number of sharp criticisms of the group's financial controls. Eagle, now chaired by Mr John Ferriday, made first half profits of £6.4m in 1988.

Eagle Trust also said yesterday it was closing its parcel delivery company Eagle Express, which was formerly known as Connect. An Eagle spokesman said that the delivery business had proved far more competitive than had been expected.

Eagle Express sponsored the Watford football club but rock star chairman Elton John can rest easy. Eagle Trust says it will continue to support the club.

Eagle Trust

Share price relative to FT-A All-Share Index



Two Radio companies agree merger

By Raymond Snoddy

TWO MORE commercial radio companies, Midlands Radio Holdings and Radio Trent, yesterday agreed terms for a merger.

Midlands, formed last year by a merger between BRMB and Mercia, operates stations at Birmingham and Coventry. Radio Trent's stations broadcast to Nottingham, Derby and Leicester.

The companies said the combined group would have greater financial and management strength and a higher advertising profile.

Midlands shareholders will receive 11 shares in the new company for every 10 they now hold, plus a 50p per share special cash dividend. The offer to Trent shareholders is on a one-for-one basis. There are cash alternatives of £17.60 for each Midlands share and £16 for each Trent share.

Bett Bros higher at £1.6m

BOOSTED BY substantial activity in its property development division, Bett Brothers, the Scottish property developer and housebuilder, more than trebled pre-tax profits for the six months to February 28.

On turnover of £21.49m (£7.89m), the taxable figure came out at £1.58m, compared with £512,000 for the corresponding period and with £1.52m for the 12 months to August 31 1988.

Mr Iain Bett, chairman, said that the sale of a substantial area of zoned land, at Staines, Middlesex to a joint venture company, in which Bett had retained a 50 per cent interest, had contributed considerably to the results.

The improvement shown in property and building related activities was not matched by the vehicle distribution operation. Mr Bett said that although there had been an increased demand for Leyland Daf products, this highly specialised business no longer had a part in Bett's future plans. The company is therefore negotiating, in conjuction with Leyland Daf, to sell the business.

Earnings per share jumped to 6.61p (2.09p) and the interim dividend has been raised 32 per cent to 1.85p (1.4p).

Appletree profits reach £0.6m

APPLETREE HOLDINGS, a Cambridgeshire-based fresh produce supplier, returned profits of £861,000 pre-tax for the 26 weeks ended April 2, little changed on last time's £859,000 which included losses from the snack foods division. Turnover improved by just over £1m to £35.53m.

The snack foods division has since been sold to Dalgety, which resulted in an extraordinary credit of £9.76m. The interim dividend is a same-again 1.1p.

Late last year Appletree, 24 per cent owned by British & Commonwealth Holdings, effectively put itself up for sale but later terminated discussions with parties interested in making an offer. It said at the time that it would not be seeking separate buyers for either of its two operating divisions, fresh produce and Kildare.

Directors said the company was currently benefiting from current high interest rates. UK cash balance at April 2, excluding working capital requirements, amounted to £11m.

UK COMPANY NEWS

Coloroll doubles profits to £55m

By Clare Pearson

PRE-TAX PROFITS of Coloroll, the home products group, more than doubled in the year to end-March from £26m to £55.5m thanks to last summer's hard-won takeover of the John Crowther textiles group.

In a detailed statement, Coloroll emphasised yesterday that the retained Crowther carpet businesses had been extensively restructured while disposal profits of an estimated £260m were set to exceed the £215m acquisition costs, and leave the group in a net cash position.

Excluding Crowther and William Barrett, the acquisition which took the company into furniture last year, Coloroll's brands had been valued at £85m. If they were incorporated in the balance sheet – which there were no plans to do – shareholders' funds would be well in excess of £200m.

"We want to get across that we're into a drive for safety now," said Mr John Ashcroft, the chairman. "We've got a strong balance sheet and we're focusing on organic growth through extending our product ranges."

He said the company was considering a share repurchase programme to alleviate an expected flattening in earnings per share growth next year. According to estimates based on conservative assumptions contained in the results statement this could be as low as 3 per cent.

Coloroll had felt no effects of a slowdown in consumer spending during the first quarter, although very recently there had been a softening of demand for carpets, which accounted for about 20 per cent of profits last year.

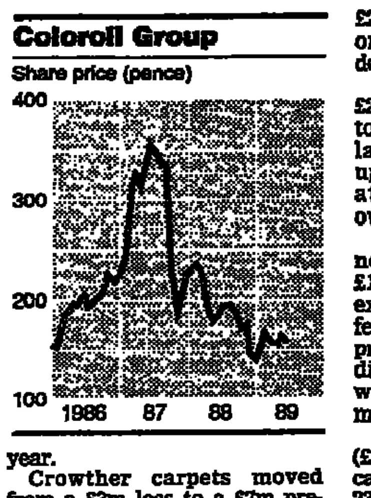
Crowther carpets moved from a £2m loss to a £7m pretax profit during the year. All other divisions pushed ahead apart from home furnishings, where pre-tax profits fell to £2.8m (£5.8m). This was blamed on the mild winter denting demand for duvets.

William Barrett contributed £2.6m (£1.7m). This company is to provide a platform for the launch of a new range of upholstered furniture aimed at the young home owner.

Disposals of Crowther businesses have so far raised £130m. A similar amount is expected to come in in the next few months, with the bulk of it provided by the MCD carpet distribution business, which will probably be sold to its management.

Turnover stood at £565.1m (£257.7m). Earnings per share came out 11 per cent higher at 23p (20.8p). The final dividend is set at 4.56p (3.97p) making 7.6p (6.61p) for the year.

See Lex



Lord King of Wartnaby, chairman of British Airways, who yesterday unveiled a 17.5 per cent increase in the airline's profits. The group made £268m before tax in 1988-89 with the help of British Caledonian, bought in late 1987. Lord King also announced that BA would reward its 48,000 employees for the successful integration of BCal with a special payment of one week's basic salary, on top of the usual profit-share bonus of 2½ weeks' wages. Asked if the special payment applied to directors, Lord King, who earns nearly £3,500 a week according to the 1987-88 accounts, said he thought the executive board was excluded. "But it's nice of you to think of us," he added.

FII pays £1m for Luckham

FII Group has acquired Luckham, which is principally involved in the manufacture and sale of laboratory equipment, plastic disposables and glassware, for £1.04m.

Consideration will be satisfied by the issue of 422,835 new ordinary, of which 101,215 are being retained by the vendor.

Fairbriar improves 52% to £13.1m despite depressed housing market

By Andrew Taylor, Construction Correspondent

PRE-TAX profits of Fairbriar, the Epsom-based housebuilder and property developer rose rose 52 per cent to £13.1m in the 12 months to March 31 1989.

Mr Remo Dipre, Fairbriar's chairman, said the increase had been achieved in spite of a decline in the housing market since the Autumn.

House sales were down by between 20 per cent and 25 per cent during the first four months of 1989 compared with the first four months of last year. Most of the company's homes are in the south east.

Mr Dipre said Fairbriar, because of the high margins it achieved on sales, had greater flexibility than many housebuilders to ride out the recession. The company was currently offering mortgage subsidies on only a few selected sites.

Mr Dipre said profits from property development were expected to rise to about £2.5m this year compared with £500,000 last year.

Developments were under way in south east and south west England. A large office block had been substantially let in Thames Ditton and the group was pursuing a mixed commercial and residential development on 56 acres in Tunbridge Wells.

He said: "The full potential of our residential activities will obviously not come to fruition until confidence returns to the housing market, but with our retained investments together with a well balanced portfolio of residential, commercial and industrial developments I am confident the future prosperity of the company is assured."

The group's funding requirements had increased as a result of the decision two years ago to move into commercial property development. This would be reduced by "funds generated by the company in the course of its normal activities during the year."

Turnover last year rose 77 per cent to £46.9m. Earnings per share rose from 14.88p to 23.54p an increase of 58 per cent. A final dividend of 3.3p (2.5p) makes a total of 5p (3.4p) for the year.

Ketson deputy opposes bid rejection

By Andrew Hill

KETSON, the embattled marketing and public relations group, yesterday decided to reject the consortium bid launched on Monday.

The PR company's defence document will be published today, but without the support of deputy chairman Mr Jeremy Bond, whom the rest of the board is trying to oust as a director.

Mr Bond, the founder, former chairman and chief executive of Moorgate, Ketson's financial marketing and PR subsidiary, opposes the restructuring proposed by the group two weeks ago.

He is now seeking independent financial advice before deciding whether to recommend shareholders to accept the consortium bid.

"I'm just very pleased that the shareholders have an alternative to consider," said Mr Bond, who is also Ketson's largest shareholder with a stake of 12.14 per cent.

The consortium consists of City and Westminster Financial, a private merchant banking and investment group, Broad Street Group, the PR, advertising and marketing consultancy, and Summer International, the training and education company.

They are offering shares in their new company, Moneytab, in a one-for-one exchange for existing Ketson shares. Moorgate and IBTC, Ketson's training consultancy, will be sold to Broad Street and Summer respectively if the bid is successful.

Disappointing trading hits Moran result

Disappointing trading conditions in both its residential property and international freight forwarding sectors prompted Moran Holdings, the property developer and tea planter, to warn of an operating loss for the year to June 30 1989.

As intimated by Mr Colin Gordon-Smith, chairman, in his annual statement in November 1988, the company's development on the Isle of Dogs in London's Docklands had suffered from the downturn in demand and selling prices.

This, coupled with the failure of the purchasing consortium to complete its contract for half of this development, had brought about a negative position. Other developments had also been affected by the depression in the housing market.

Due to major contracts not being signed within the anticipated time-scale, there had also been a downturn in the international freight forwarding and business travel operations division, which the chairman said was also unlikely to contribute to profits for the current year.

However, with contracts now in hand, both divisions were expected to return to profits in the year commencing July 1. Directors have therefore declared an unchanged interim dividend of 1p and expect to maintain a total for the year of 3p.

Yearlings at 13¼%

The interest rate for this week's issue of local authority bonds is 13¼ per cent, up ⅜ of a percentage point from two week's ago.

The bonds are issued at par and are redeemable on May 24 1990.

Yorkshire TV surges to £10m but warns on the second half

By John Ridding

LOWER STAFF costs boosted pre-tax profits at Yorkshire Television to £10.4m for the six months to the end of March, an increase of 33 per cent.

However, the costs of two major productions to be taken in the second half prompted the company to warn that "the excellent results in the first half can not be taken as a guide for the full year."

Turnover for the six months, excluding sales to the ITV network, increased by 11 per cent to £76.2m. Earnings per share rose from 14p to 18.8p and there is an interim dividend of 3.3p (3p).

The increase in sales included a 10 per cent rise in advertising receipts for the IBA contractor. However, the £71.8m advertising revenues represented only 8.7 per cent of the network total, compared with 9.1 per cent for the comparable period.

Mr Clive Leach, managing director, said the fall reflected the continued drift of revenues to the south east as financial companies stepped up exposure there during the period. He believed, however, that the plateau had now been reached and said that Yorkshire was not expecting to lose any more of its share.

The main factor in the improvement was a 12 per cent reduction in staff costs. Staff levels have been reduced from 1,643 at the end of March 1988 to 1,407 at present through voluntary redundancy and early retirement.

A second factor was the introduction of more flexible work practices. Multi-skilling arrangements were introduced through the period and at the beginning of May the company proposed a radical restructuring of work practices which included the calculation of working hours on an annual rather than a weekly basis.

Mr Leach said the second half had started well although the results would be affected by the costs of two major drama productions. These involve total production costs in the region of £16m although it was unclear what proportion would be above the line.

However, the company added that the new productions would earn income in the next financial year and add to the value of Yorkshire's programme catalogue in subsequent years.

Clive Leach – drama costs will hit results

● COMMENT

Having weathered the costs of rationalisation in the previous financial year, Yorkshire is now reaping the benefits. Yesterday's results showed lower costs and higher profits than expected, sending the share price up 6p to 311p. For the year as a whole, however, forecasts are unchanged at around £19m. This reflects the costs of its two expensive productions, which seem intended to reduce the impact of the new exchequer levy system to be introduced in 1990 by writing off costs before the more punitive regime is introduced. The new levy and the prospect of bidding for franchises after 1992 cast a shadow over the sector as a whole. However, Yorkshire is making good progress in cost cutting and establishing independent profit centres – particularly in the area of programme production where it supplies around 15 per cent of network programmes and has a deal to supply material for BSB. The prospect of bid and stake building activity in the sector and increased investor interest have sent Yorkshire's shares up by over 30 per cent this year. At the current level they are on a prospective multiple of 8.5, still reflecting the downside of the sector, and easier to justify than many of its counterparts.

Radio City doubled midway

By John Ridding

RADIO CITY (Sound of Merseyside), the Liverpool-based commercial radio station, doubled pre-tax profits from £308,000 to £623,000 in the six months to end-March.

The increase reflected the strong demand for radioadvertising which has prompted a string of sharply improved results across the sector. Turnover, which comprises almost exclusively advertising revenue increased from £1.66m to £2.03m.

Given the improvement in the results the company has decided to resume payment of interim dividends. These were suspended four years ago following the heavy losses which Radio City suffered as a result of its involvement in the Beatle City Exhibition. A payment of 3p is proposed, compared with a final payment of 6p in 1987/88.

Mr Barrie Marsh, managing director, said that the station was achieving excellent audience levels. The latest figures revealed an audience reach of 1m adults giving approximately 12m listening hours a week. As a result the company was able to increase advertising rates by almost 10 per cent during the period.

Mr Marsh said that while advertising revenues could be volatile the company was viewing the year as a whole with optimism. He added that the increased demand for radio as a whole reflected more aggressive selling and the fact that television rates have become too high for many clients.

Beazer severs last connection with BM

By Clay Harris

BEAZER, the housebuilding, construction materials and contracting company, yesterday severed its last connection with BM Group by selling a 14.5 per cent stake in the construction equipment distributor.

The disposal at about 440p per share to Shearson Lehman Hutton, which subsequently placed them raised £17m for Beazer, which remains highly geared after last year's $1.7bn takeover of Koppers, the US construction materials group.

Beazer won control of BM (then called Brahám Millar) in June 1984 with a takeover bid worth £4.46m. Later that year, it injected three engineering companies into BM.

However, Beazer retained BM's listing and its ownership level peaked at 88 per cent. Over the intervening years, Beazer sold shares and allowed its stake to be diluted. In 1988, Beazer sold two building products subsidiaries, Beazer Products and Services and Tod, to BM for £47m.

BM shares closed 2p higher at 454p.

Fairline on course with £1.82m

Excellent demand for all its boats, despite high interest rates and a strong pound, helped Fairline Boats increase interim taxable profits 20 per cent from £1.52m to £1.82m. *Turnover for the six months to* March 31 was £2.15m ahead at £14.13m.

Earnings per share increased to 34.9p (29.3p) and the interim dividend is higher at 6.5p, against 4p last time.

Mr Sam Newington, chairman, said the sales rise was achieved without any increase in capacity. Phase three of its new facilities would be completed in July and should add a third to production capacity.

He added that while overall demand was not as certain as it was at the same time last year he remained confident that the full-year outcome would be satisfactory.

Poddington and Henson TV in distribution deal

By Vanessa Houlder

Poddington, which joined the Third Market in January, has moved closer to the launch of its Poddington Pea cartoons – featuring Grump-Pea, Sleep-Pea and PC Pod – by signing a distribution deal with Henson International Television.

Poddington has signed a five year deal under which Henson will promote the worldwide television and video cassette rights of an animated childrens series about the Poddington Pea family – a community of 31 peas which live at the bottom of a suburban garden.

Mr Leonard Lee, chairman, said that the series, which comprises 26 five minute episodes, was expected to be transmitted in September.

The creation of the series was financed with the £1.2m raised in its placing.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Appletree Hldgs ......int	1.1	Aug 31	1.1	-	3.75
Apricot ......fin	1.25	-	1.5	2	2
Bett Bros ......int	1.85	-	1.4	-	3.85
Brit Airways ......fin	5.25	-	4.65	7.75	6.9
City Site Ests ......int	0.8	July 7	0.67	—	1.34
Coloroll ......fin	4.56	-	3.96	7.6	6.6
Compass ......int	3	July 28	-	-	-
Fairbriar ......fin	3.3	Aug 2	2.5*	5	3.4*
Fairline Boats ......int	6.5	July 25	4	—	13.5
Gates (Frank) ......fin	5.5	July 4	4.25	5.5	4.25
Just Rubber § ......fin	1.65	—	1.415	2.45	2.115
Leeds Group ......int	2.7	-	2.7	-	8
Monks Inv Trust ......fin	3	—	1.8	4.5	3
Moran Holdings ......int	1	July 6	1	-	3
Murray Tech Inv ......fin	0.4	-	0.4	0.4	0.4
Nth American Tst ......int	2	-	1.4	-	6.25
Nth Ind Dev Tst ......int	7‡	July 14	5	—	17.94
Richards ......int	††	—	0.9	—	3.5
Trimoco ......fin	0.8	-	0.6	1.4	1.219☆
Western Select ......int	1.7	-	1.7	-	3.7
Yorkshire TV ......int	3.3	July 7	3	-	9.6

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ☆Including special of 0.219p. ‡Partly to reduce disparity.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Carlton Communications, Cauldon. Finals- Chillington, Chamberlin & Hill, City of London PR, Courtaulds, Hartwell, Honda Motor, Land Securities, Thames Television.

FUTURE DATES

Interims-

Leisuretime International	June 28
RCO	June 8
Sheriff	June 14
Stratagem	May 31

Finals-

Broadwell Land	June 8
EMAP	June 12
Estates & Agency	May 25
Goldberg (A)	May 30
Hazlewood Foods	June 7
Henderson Administration	June 2
Optometrics	May 30
Raleigh Inv Trust	May 31
Salvesen (Christian)	June 14

مطابق للأصل

UK COMPANY NEWS

Sharply reduced order intake in electronic financial systems

Apricot Computers drops by 26%

By Alan Cane

APRICOT COMPUTERS, which warned in January that its 1989 profits would be lower than last year's through unexpected commercial and technological problems, duly reported disappointing figures yesterday. It claimed, however, that the ground had been cleared for a substantially better performance this year. Turnover at £105.8m was 25 per cent up on the 1988 figure, the first time the £100m barrier had been broken. Profit before taxation, however at £6m, was 26 per cent lower.

Earnings per share were 6.22p. Mr Roger Foster, chief executive, said that year end cash balances stood at £12m and it was proposed to maintain the dividend per share at 2p.

Profitability was hit by a softness in electronic financial systems, one of the company's principal markets. The division had sales of £13.9m compared with £12.5m the year before, but profits slumped from £2.6m to £1.2m and a loss was incurred in the final quarter on reduced sales resulting from a sharply reduced order intake.

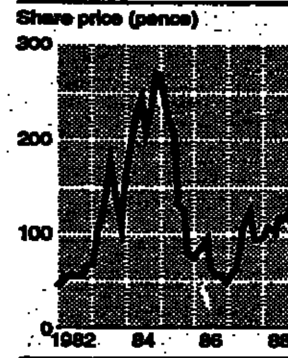
The profitability of the computer systems division was reduced by shortages of special semiconductor chips developed by a US company to create personal computers compatible with the design, called Micro-Channel Architecture (MCA) used in International Business Machine's most advanced machines. Both problems cost the company about £5m in profit.

Mr Foster said yesterday he thought that given these handicaps, the company's financial performance reflected its strength rather than weakness.

While giving no hostages to fortune, he believed the financial systems marketplace was gaining momentum again. He believed turnover next year would be between £120m and £130m. The company intends to place special emphasis on direct computer sales to financial and government markets and to large corporate customers where it can sell a complete package of services.

Apricot Computer

Share price (pence)



Apricot has revised its management structure to match its market approach. Mr Foster takes over as chairman next year from Mr Lindsay Bury who continues as a non-executive director. Mr Mike Hart, formerly managing director of Nixdorf UK, becomes joint managing director with Mr Simon Hunt. The group is actively recruiting a new finance director to replace Mr Christopher Loynes, who resigned in January for personal reasons.

● COMMENT

Apricot shows a resilience to misfortune encouraging in the volatile computer business. While it remains vunerable to weakness in its principal markets or to technological perturbations, it has been pursuing a strategy of acquisition and systems development that should ensure revenues and profitability. Three developments seemparticularly relevant. First, an extension of its activities in the increasingly profitable area of computer maintainance, helped by the acquisition in the past two months of the DDT Group. Second, the decision to follow IBM in developing MCA design personal computers. Analysts believe that IBM will eventually establish MCA as the standard for high performance personal computers. Mr Foster thinks customers already see Apricot as the natural alternative to IBM for MCA machines. Third, a move into medium sized or departmental computers, the fastest growing area of the computer market. Apricot intends to launch its first machine of this type next week. Called "Titan", it will be a floor standing machine designed to compete with mini-computers by offering four times the performance for the same cost.

Westfield directors recommend Lowy bid

By Paul Cheeseright, Property Correspondent

INDEPENDENT directors of Westfield International, the Australian company with a London quotation that owns shopping malls in the US, are recommending acceptance of the terms offered by Mr Frank Lowy to take the company private.

The recommendation follows a valuation of Westfield's assets, which are put at between US$2.43 and US$2.53. But Mr Lowy's offer, which comes just a year after the company received its quotation, is put at US$3.35 a share, conditional on Hampton Investments - Mr Lowy's company - becoming entitled to at least 90 per cent of the shares.

Really Useful

The Really Useful Group, Mr Andrew Lloyd Webber's theatre production and leisure company, has sold a freehold building in London's West End for £6m.

The disposal, to a joint venture between Rosehaugh and New Capital Properties, will create a pre-tax profit of £1.2m for Really Useful.

Continuing strong demand helps Trimoco advance 47%

By John Thornhill

THE CONTINUING strong demand for cars has helped Trimoco, the Luton-based motor group, lift full-year pre-tax profits by 47 per cent from £5.1m to £7.51m.

This is the first motor distributor to announce its results for the year to March 31. Although the second half of the year is traditionally the weaker period, car sales were still ahead of its budget.

The company added that sales in April this year were 10 per cent ahead of forecast, which had been raised modestly from last year's levels.

Turnover rose by 27 per cent to £271.97m (£214.67m). A proposed final dividend of 0.8p will give 1.4p (1p) for the year. Fully diluted earnings per share advanced to 3.85p (2.75p).

Trimoco said the former Fry's Ford dealership in Lewisham, south London, acquired in March 1988, had been successfully integrated. In February this year, Trimoco bought Smith and Gardner, a Liverpool-based Peugeot dealership, for £610,000.

The dealerships, which now represent Ford, Vauxhall and Peugeot franchises, contributed 64 per cent of the profits. Property transactions accounted for 23.8 per cent; its leasing activities provided 11 per cent; and engineering 1.2 per cent.

Mr Roger Smith, chairman, said the company's balance sheet had been strengthened following property revaluations and the purchase of some freehold properties. Interest payments were £2.21m (£1.31m) and tax was £2.33m (£1.56m).

● COMMENT

Trimoco's presentation yesterday was held in the grandiose surroundings of the Apothecaries Hall in London, and it was perhaps appropriate for a company that at last seems to have put together a healthy mix of motor-related businesses. Its unfortunate forays into other fields, such as the data storage business, are now over. Trimoco produced a sound trading performance in the past year and the company still has some steady growth potential particularly, it would seem, in the leasing and used-car markets. However, some niggling doubts should be borne in mind. The shareholding of the Jemeel family, which currently stands at just over 24 per cent, gives some cause for disquiet. A takeover bid would seem to be out of the question because of the danger that this would result in a loss of franchises, yet the intentions are not clear and the unpredictability is unsettling. The company is also saddled with high gearing levels of a little less than 100 per cent and the consequent high interest charges will cramp profits in the current year. Supply shortages may also feature and attractive acquisitions are looking hard to come by. Nevertheless, about £8.5m of pre-tax profits looks attainable, which would give a prospective p/e ratio of about 9.5. At that rating, Trimoco is at a slight premium to the market which may be justified by the Jemeel interest and property profits.

Mutual lifts Gateway stake

US-BASED Mutual Shares Corporation, together with associated funds, has again raised its interest in Gateway, the UK food retail group which is contesting a £1.73bn bid from the newly-formed Isosceles consortium.

It has acquired a further 1.2m shares at 206p - well above the current 195p-a-share cash offer price from Isosceles - taking its total holding to 11.2m shares or 1.26p.

GrandMet disposals continue in the US

By Lisa Wood

GRAND METROPOLITAN, the UK food and drink group, yesterday announced the continuing disposal of businesses acquired in large acquisitions made in North America over the past two years.

Calona Wines, a Canadian wine business acquired with Heublein, has been sold for Can$16.9m to International Potter Distilling Corporation, a subsidiary of Consolidated Western Industries.

GrandMet, which last week announced it was buying the wine and brandy business of The Christian Brothers in California, said Calona did not fit into its strategy of developing international brands.

Two seafood businesses, acquired in the $5.8bn acquisition of Pillsbury, the US food group, are being put up for sale. Pillsbury is selling its Van de Kamp's and Bumble Bee companies, with the assistance of Morgan Stanley in New York.

Mr Ian Martin, chairman and chief executive of Pillsbury, said neither Van de Kamp's or Bumble Bee, were sufficiently linked to the core Pillsbury businesses in brand identity or product fundamentals.

Van de Kamp's, a producer of frozen fish products, was acquired by Pillsbury in 1984 and had sales of about $135m in the year ended 31 May 1988.

Bumble Bee Seafoods, a producer of canned seafoods, was acquired by Pillsbury last year and had sales of approximately $283m for 1988.

Grand Met is not disclosing the prices being sought for the two businesses but industry estimates for the two businesses are between $300m - $350m.

Since GrandMet acquired Pillsbury it has embarked on the disposal of periphery businesses and rationalisation within the food manufacturing and the Burger King businesses.

Mr Allen Sheppard, chairman of GrandMet, said at a meeting yesterday with institutions that in his view the acquisition of Pillsbury would prove as positive for GrandMet as the Liggett and the Hueblein acquisitions had done.

UK COMPANY NEWS

Compass profits in line with forecast at £12m

By John Ridding

STRONG SALES in its core catering contracting division and higher occupancy rates in its health care business helped lift taxable profits at Compass Group to £11.7m for the half year to April 2, an increase of 27 per cent, and in line with forecasts.

The company, which came to the market in December, did not include contributions from its recent £16m health care acquisitions. Nevertheless, turnover was up by 24 per cent at £167m and earnings per share grew from 9.2p to 11.6p. There is a 3p (2.4p) interim dividend.

According to Mr Gerry Robinson, chief executive, the services division remained the main engine of growth. Profits increased from £9.1m to £10.8m.

Factors in the improvement included buoyant demand and the continued elimination of marginal contracts. In the six-month period, around 15 such contracts were terminated. Contributions from Middle East operations were, however, halved to "a couple of hundred thousand in terms of profits" as the group wound down its presence in the slowing markets.

The largest divisional increase came from the health-care division which saw profits rise 68 per cent to £2.5m. Mr Robinson said that this reflected a combination of higher occupancy rates, from about 40 per cent to about 60 per cent, and stable costs.

The acquisition of Health Care Services, in February for £12.5m and of Winterbourne Hospital, in April for £3.7m, are not included in the accounts but will be recorded in the final results.

Building services saw only an 8 per cent increase in profits to £1.3m. According to Compass, "this unflattering figure reflects contracting timing." Consequently it expects a more generous growth rate for the whole year.

The company's acquisitions added to its borrowings which now stand at £54m. Given a lower figure for shareholders funds, this implies that the company continues to have a negative net worth. However, interest cover has increased to about five times.

● COMMENT

Compass has steered along a steady bearing since the management bought it out from Grand Metropolitan in 1987 and yesterday's figures, which were exactly in line with forecasts, show it is staying on course. The company's current strategy is simple but apparently effective. Cash is generated through the core contract services division and funnelled into the high-margin health care businesses. With the growth of private health care, and tax relief for health insurance coming in October, market growth should continue in excess of 10 per cent per annum. In addition, hiatus at home for AMI and HCA, the two big US healthcare players in the UK market, means that Compass can snap up new hospitals relatively cheaply. The longer term strategy is for parity between health and services. Until this is reached, however, the former will provide a solid base with 98 per cent of the main catering contracting operating on a cost-plus basis and with continued expansion in demand. Pre-tax profits for the full year should reach £25m. Given the climb in share prices from 245p at flotation to 351p, this implies a multiple of about 14.5 - probably near the top of their range.

USM quote for Propeller

Propeller, a leisure wear specialist, is moving from the Third Market to the USM through an introduction by Brown Shipley Stockbroking, capitalising the company at £6m. Dealings are expected to start on June 6.

At the same time 6.19m shares are being placed at 48p each, representing almost half the equity, after which Corton Beach, Propeller's parent, will have a 28 per cent stake.

Pre-tax profits in the year to February 3 were £703,000 on turnover of £9.45m. The historic p/e is 8.7.

New car sales help boost Frank Gates profit 20%

By John Thornhill

FRANK G. GATES, the Ford main dealer, increased pre-tax profits by 20 per cent from £2.02m to £2.43m in 1988.

Of this pre-tax profit figure, £150,000 (£125,000) was allocated to the company's profit-sharing scheme.

Turnover at the group, based in Woodford, east London, climbed 13 per cent to £78.92m (£69.64m). The directors are proposing a dividend of 5.5p (4.25p) and a one-for-one scrip issue.

Earnings per share advanced from 11.1p to 13.65p.

An extraordinary credit of £297,000 (£18,000) related to the sale of a property.

The company said profits from new vehicle sales had increased by 19 per cent and and from used cars by 11 per cent.

Mr Colin Giltrap, a New Zealand car distributor who unsuccessfuly bid for the company in the winter of 1986-87, retains a 22.6 per cent holding.

Minorco shuns Gold Fields meeting

By Kenneth Gooding, Mining Correspondent

MINORCO, the South African-controlled investment company, has decided not to send its representatives to Friday's board meeting of Consolidated Gold Fields, the diversified UK mining group – the first to be held since Gold Fields defeated Minorco's £3.2bn hostile bid.

Minorco said yesterday it was reviewing all its options in relation to its 29 per cent shareholding in Gold Fields and would be considering its future approach at its own board meeting on June 15.

In the meantime, it would be "inappropriate" for its representatives – Mr Julian Ogilvy Thompson and Mr Neil Clarke – to attend the Gold Fields' board.

However, Minorco dropped a heavy hint about what it would like to see discussed by Gold Fields' directors. It said yesterday: "This (Gold Fields) meeting will, in Minorco's view, have to consider major business items arising from Minorco's frustrated offer, which will, no doubt, include the timetable for early implementation of the performance guarantee to Gold Fields' shareholders – to which the Gold Fields' directors and advisers so publicly committed themselves."

Gold Fields yesterday was still not able to say when an extraordinary meeting would be held to consider the issue of a special preference share.

The extraordinary meeting would be held "without undue delay," possibly in July, Gold Fields said.

There was absolutely no question of the board abandoning the performance guarantee scheme, which provided an important plank in the final bid defence document, it added.

See Lex

Queens Moat buys George Washington Hotel for £11m

By Clay Harris

GEORGE Washington never slept there, but yesterday's sale by Tomorrows Leisure of the 106-bedroom George Washington Hotel at Washington New Town, Tyne and Wear, promises to have revolutionary consequences for the group's finances.

Tomorrows Leisure, a Third Market company in which about 40 per cent of the shares are owned by Business Expansion Scheme investors, sold the property for £11m to Queens Moat Houses, the fast-growing UK and continental Europe hotels operator.

The disposal will eliminate Tomorrows Leisure's borrowings and leave it with a cash surplus of £7m. By comparison, at yesterday's price of 78p, down 3p, the group's market value is only £9.4m. The shares rose sharply earlier this month when the group said it was negotiating the sale of a major asset.

Mr John Sanderson, chief executive, said the proceeds would be invested in existing operations such as snooker clubs and the 350-acre Fairlop Waters leisure park at Ilford, east London. Acquisitions were also likely, as Tomorrows Leisure intended to renew its presence in the hotel sector.

The 10-year-old hotel has conference and leisure facilities, including a nine-hole golf course. The new owner will rename it the Washington Moat House.

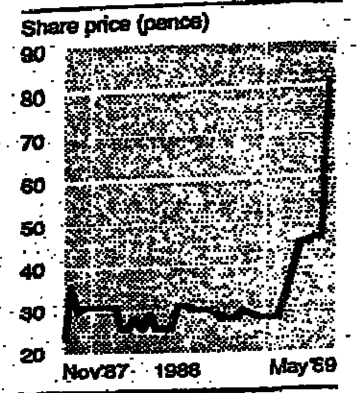
Before management fees, depreciation and payments to directors, the hotel achieved operating profits of £634,106 on turnover of £1.9m in the year to March 31 1988. Mr John Bairstow, Queens Moat chairman, said his group expected the hotel to make £1m at the operating level in a full year.

Because the disposal will increase Tomorrows Leisure's pro forma net assets per share to 82.9p, including 58.65p in cash, the company's sponsor, Guidehouse Securities, is recommending that Mr Sanderson now be granted share options which had been linked to the market price in 1991.

Under the terms of the 1986 BES prospectus, these options over 1.14m shares (equal to about 9.5 per cent of the current issued capital) would be granted if the shares had doubled in price to 50p by 1991. The proposed waiver, granting the options now but maintaining the 1991-93 exercise period, must be approved by shareholders.

Only a small proportion of Tomorrows Leisure shares are outside the hands of directors, who hold more than 50 per cent, and BES investors, who must retain their holdings for five years to avoid losing tax relief.

Tomorrows Leisure



F&C Eurotrust

F&C Eurotrust had a net asset value of 296.9p (224.8p) at par on March 31 and 276.2p (208.6p) fully converted.

Net revenue for the six month period showed a loss of £137,000 (£161,000) after tax of £26,000 (£10,000), for 0.75p (1.25p) loss per share.

Directors expect revenue for the full year to be not less than the £321,000 achieved last time.

News Digest

LEEDS GROUP

Slack demand for products

Leeds Group, which has interests in textiles and finance leases, reported a fall in pre-tax profits from £2.13m to £1.43m in the six months to end-March 1989.

Demand for the company's products slackened as difficulties were experienced in the retail trade. Turnover fell from £14.4m to £13.1m and after tax of £505,000 (£749,000) earnings per share worked through at 9.2p (14.4p).

An unchanged interim dividend of 2.7p is being paid.

The company said demand had improved and it was hopeful of an improvement in the second half.

WESTERN SELECTION

Cable arm hits first half result

Reduced pre-tax profits of £881,000 were announced by Western Selection, investment finance company, for the half year to March 31. The previous figure was £911,000.

The interim dividend is being held at 1.7p, while earnings dropped slightly to 4.1p (4.37p).

Turnover advanced from £7.51m to £8.23m. The cable producing subsidiary, Duratube & Wire, lifted sales by 9.5 per cent, but taxable profits were 15.2 per cent lower due to higher raw material costs, higher interest rates, new plant installation during the period and an overtime ban.

Directors said the industial dispute there would affect the second half but orders generally continued to be satisfactory.

ALEXANDERS HLDGS

Advance despite interest rates

A near 20 per cent improvement in pre-tax profits from £562,000 to £673,000 was announced by Alexanders Holdings, Scotland's largest Ford main dealer, for the six months ended March 31.

Mrs Aleksandra Clayton, in her first report as chairman, said the result was achieved despite the rise in interest rates. It did, however, include the profit on the sale of properties in Edinburgh and Baillieston.

Turnover was slightly lower at £35m (£35.7m). After tax of £181,000 (£192,000) earnings per 10p share advanced to 1.204p (0.902p). The company does not pay interim dividends.

PETROCON GROUP

Returns to profitability

Petrocon Group, the supplier of equipment and services to oil and process industries, reported pre-tax profits of £449,000 for the year to end-December 1988 compared with a loss last time of £745,000.

In February, when it was announced that a consortium was to subscribe in cash for 5.85m new ordinary shares (29.9 per cent of the enlarged capital), the directors forecast profits in the region of £435,000.

Turnover fell slightly to £8.3m (£8.9m), as did the cost of sales, which fell from £6.7m to £5.4m. Distribution costs also dropped to £93,000 (£254,000).

After tax of £194,000 (£273,000 credit) earnings per 12.5p share worked through at 1.94p (3.8p losses). Extraordinary debits amounted to £448,000 (£2.75m).

MONKS INV TRUST

NAV rises to 324.8p

Net asset value at Monks Investment Trust improved to 324.8p at April 30, compared with 266.3p a year earlier. For the year to the end of April net revenue came out at £3.72m, compared with £2.54m.

Earnings per share increased from 3.27p to 4.79p and the directors are proposing a final dividend of 3p (1.8p) to make a total for the year of 4.5p (3p).

RICHARDS

Carpet yarn boosts results

The continuing strong demand for contract carpet yarns helped Richards, Aberdeen-based textile concern, to increase pre-tax profits from £1.68m to £1.75m despite a fall in turnover to £38.43m in the six months to the end of March, against £40.21m.

Earnings per share were 5.4p (5.55p) and the interim dividend is 1p (0.9p).

The company said that the performance of the carpet manufacturing companies was good but suffered a decline in demand. The UK knitwear and shirt market remained depressed as a result of cheap imports caused by the strength of the pound.

CITY SITE ESTATES

Rental income rises 72%

City Site Estates, Glasgow-based property investment and development company, reported lower taxable profit of £1.52m, compared with £3.2m for the six months to March 31. The interim dividend has been raised to 0.8p (0.67p).

JUST RUBBER

Operating margins rise

Just Rubber pre-tax profits rose by 20 per cent to £825,000, against £689,000 on turnover up from £3.54m to £4.06m. The directors are proposing a final dividend of 1.65p (1.415p) making 2.45p for the year against 2.115p last time.

JOBS

Where the best long-term policy is to wait

By Michael Dixon

HOW MUCH pay do you expect to be getting by the time you retire?

If the answer is more than £60,000 a year in terms of present-day prices, and you are likely to be employed in Britain at the time, tomorrow week could well be a decisive day in your working life. For June 1 brings into force new measures put forward in the last United Kingdom Budget governing pensions for higher paid employees.

The crucial question for Brits aiming to better the £60,000 figure, adjusted in line with the retail price index, is whether they are apt to make a move of job that involves a change of company pension scheme.

If they stay put or make the change within the next week, then provided the employer has an approved scheme set up before the Budget on March 14, all well and good. They can still look forward to a pension of up to two thirds of their final year's pay, however much it is, without being bitten by the taxman's newly fitted extra large teeth. They will be limited to a maximum employee's contribution of £9,000 a year at present prices. But if they can persuade the company to raise its contribution to compensate for that limit, there is nothing to stop it from doing so.

Anyone who moves in to work alongside them after May 31, however, will be in a markedly different position. The newcomer's eventual pension under the selfsame company's scheme will be capped at an RPI-adjusted £40,000 yearly – two thirds of the £60,000 pay figure – with any additional provision made by the employer being treated as a taxable perk.

So what are ambitious job-changers in Britain, and the companies wishing to recruit them, to do from tomorrow week onwards?

Ian Bowers, head of Willis Faber's pay consultancy branch, says the initial responses of employers awake to the problem seem to fall into two broad kinds.

One is to bring recruits in line with any counterpart engaged before June 1, by giving them extra pay to compensate for their pension disadvantage. But that, Dr Bowers thinks, will prove painfully expensive.

He also sees dangers in the other kind of response which is to make individual arrangements for the recruits to provide for themselves through one of the newer personal, executive or self-administered pension plans. That could well generate not only administrative horrors for the company, but bad blood among staff rewarded in widely varying ways for doing similar jobs.

In Ian Bowers's view, a better response than either is to do nothing for the time being – other than in the employer's case to give, and in the recruits' case to obtain a written guarantee that the company will ensure they will be no worse off for pension-type benefits than counterparts engaged before.

"The question of how to keep the promise is best left until the Government issues guidelines on the changes, probably in December," he said. "Acting before then is likely to end in repentance at leisure for a very long time."

HOW DEPARTMENTAL DIRECTORS' PECKING ORDERS DIFFER BETWEEN COUNTRIES

	United Kingdom		Austria	Belgium	France	West Germany	Greece	Italy	Netherlands	Portugal	Spain	Sweden	Switzerland
Average pay of chief executives*	–	£82,820	£74,682	£69,940	£73,707	£90,817	£27,468	£72,200	£60,462	£21,973	£65,569	£64,002	£96,503
		%	%	%	%	%	%	%	%	%	%	%	%
Departmental directors ranked by their average pay as a percentage of chief executives' average pay	Marketing	64	Sal 62	Fin 66	Sal 64	Sal 65	Adm 61	Sal 62	Sal 70	Adm 77	Sal 69	Mkt 67	Sal 69
	Research	63	Mkt 62	Sal 65	Mkt 63	Fin 58	Pdn 59	Fin 62	Mkt 69	Fin 75	Mkt 69	Sal 66	Pdn 63
	Production	63	Fin 56	Mkt 63	Fin 60	Pdn 56	Sal 58	Pdn 60	Pdn 68	Rsh 73	Fin 68	Eng 65	Rsh 61
	Sales	62	Pdn 55	Pdn 61	Rsh 59	Mkt 55	Fin 58	Rsh 57	Eng 67	Per 71	Pdn 66	Rsh 64	Mkt 61
	Finance	61	Per 55	Adm 61	Pdn 58	Rsh 54	Eng 58	Mkt 57	Rsh 64	Pdn 70	Adm 66	Adm 61	Fin 59
	Admin.	61	Eng 54	Rsh 60	Adm 56	Eng 54	Mkt 55	Adm 57	Fin 64	Mkt 69	Eng 65	Fin 59	Eng 55
	Engineering	60		Per 58	Eng 55	Adm 54	Per 53	Per 54	Adm 62	Sal 68	Rsh 63	Pdn 57	Adm 55
	Personnel	53		Eng 57	Per 53	Per 50		Eng 54	Per 59	Eng 68	Per 61	Per 54	Per 54
	D-P	43		D-P 51	D-P 36	D-P 42		D-P 43	D-P 58	D-P 54	D-P 54	D-P 52	D-P 48

* In sterling at exchange rates prevailing at close of London markets on May 19 1989.

Values

NOW to the table above which gives an indication of how the various managerial functions are valued by companies in different lands. It comes from the same source as the European top-executive pay league that I published last week – the survey of 1,087 companies in 17 countries made early this year by the Wyatt group's Executive Compensation Service consultancy.

Yet again I have room for only a dozen of the countries. Any reader wanting more information from the study should contact Paul Curley of ECS whose address is 273 Avenue de Tervuren (Box 4), 1150 Brussels, Belgium; tel (02) 7719910, fax (02) 7623743.

The table shows the pecking order of the various types of specialist directors employed by the companies surveyed in each of the 12 lands. The directors are ranked by their average total rewards received in money – salaries plus bonuses and so on – stated as a percentage of the average total money rewards of chief executives in the same country. How much the chiefs average, in sterling at last Friday's London closing rates, is shown above the rankings.

Alas, the pecking order for Switzerland contradicts my comment last week that Swiss employers typically value heads of personnel more highly than companies do in other lands. I based the comment on raw average pay figures, not weighted in line with differences in the extent of directors' responsibilities. When those differences are taken into account personnel heads in Switzerland rank lower than anyone but data-processing directors, as they also do in the UK and five other countries of the 12.

Indeed, the only land where they figure in the top half of the order is Portugal. But it seems a fair bet that their stock will rise as shortages of recruits in train of reduced birth-rates start to bite – and not only in West Germany, Italy and the UK where the shortages will be most directly felt.

Careers in Trading

Foreign Exchange and Interest Rate Markets

▶ Chemical Bank has one of London's leading dealing operations and was recently rated by Euromoney Corporate Finance as top in Foreign Exchange trading and forecasting. In addition the Bank is a major participant in the multicurrency interest rate markets, dealing in a variety of products including Future Rate Agreements, Swaps, Futures, Options and Government Securities. The Bank also has a highly successful LBO/MBO group.

▶ As a result of continued development and planned expansion of our dealing operation, we are now looking to recruit a number of individuals of outstanding ability and potential to train as Traders.

▶ We offer a challenging work environment, the opportunity to participate in the Foreign Exchange and Interest Rate markets, and early responsibility. Training will comprise 12 to 18 months direct practical exposure to the financial markets, supplemented by technical courses as required. You will be supervised by experienced personnel and progression will be dependent on your level of achievement.

▶ We generally expect applicants to hold a good degree; we will consider individuals who have 1-2 years' work experience (not necessarily within a dealing or banking environment) and graduates with no work experience. Remuneration will be competitive and individuals who demonstrate trading talent have the opportunity to earn exceptional rewards.

▶ Resumes should be forwarded to:

Ruth Pollard,
Human Resources Department,
Chemical Bank,
Chemical Bank House,
180 Strand,
London WC2R 1EX. **CHEMICALBANK**

LENDING OFFICER

International Bank - City **Salary Neg**

Republic National Bank of New York, a major international bank requires an additional Lending Officer in its City Office to manage a Property Loan Portfolio and to expand the existing business base.

The ideal candidate should have 5 years experience in Commercial Property Lending. A legal background would be advantageous but not essential. A good understanding of Credit and Marketing is required.

This position receives all standard banking benefits. Salary will be dependent upon experience and ability.

Please reply in writing to:

Mrs. E Hartley,
Republic National Bank of New York,
30 Monument Street,
London,
EC3R 8NB.

SALES EXECUTIVE

The Icis-Lor Group is an Independent Publishing Company with offices in London, Paris, Houston and Hong Kong supplying worldwide energy markets with information on oil and chemical commodities.

We are currently seeking a Sales Executive to join an existing sales team, to be based in our London office.

The successful applicant will be self-motivated and have sales and marketing experience and/or at least 2 years experience in the commercial side of the oil, refining, or petrochemical industry. Languages would be an advantage.

Remuneration will take the form of a base salary plus commission. On target earnings should exceed £25,000

Please send current CV to:-

Emma Williams
Marketing Manager
The Icis-Lor Group Ltd
18 Upper Grosvenor Street
London W1X 9PB

Director of International Business Development

Pharmaceuticals

A multi-national pharmaceutical group is seeking an assertive experienced professional to lead and direct new business development activities on a world wide basis.

This is a unique opportunity to influence and impact upon the growth and future of a substantial international company.

Candidates should be English-speaking and must possess

- 10-15 years' pharmaceutical industry experience
- At least 5 years' industry commercial development experience
- Established international industry contacts
- Track record of significant achievements in identifying and bringing to the market commercial opportunities.

This high profile position will report at director level and be responsible for an international staff of business development specialists. The position can be either in the UK or USA. It is anticipated that extensive international travel will be part of the job.

An excellent salary and benefits package are offered, as well as substantial incentive opportunities.

If you meet these qualifications, and are prepared to accept this challenge, please respond in strictest confidence with full cv to David Basham, Director, Austin Knight Selection, Knightway House, 20 Soho Square, London, W1A 1DS. Applications will then be forwarded to our client, so please specify any pharmaceutical companies to which you would not wish your application submitted. Please quote reference 963/BD/89.

Austin Knight Selection

Credit Assessment Manager

A key role in an innovative environment

Dramatic, profitable growth within the Banking Services area of this Triple A rated European Bank has emphasised the need for a strong, independent Credit team to provide highly professional support to an equally professional marketing group. Typical proposals are un-typically entrepreneurial so that the approach, although naturally founded on solid Banking principles, needs to be solution-based and interpretative.

This new appointment is to be made at Senior Manager level to reflect control, on a day-to-day basis, of a small, close-knit team.

Candidates, ideally with a Clearing Bank background, will be in their mid to late thirties and will have seen hard not just halcyon times, specifically (and essentially) within the small/medium sized UK corporate lending market. Liaison with the marketeers will require a spirit of close co-operation tempered with the ability to stand one's own ground and people management skills or the personality best suited to acquire them, are equally important. Career prospects are first class and the salary/benefits package is unlikely to disappoint. **Ref: A1681.**

There is also an opportunity for a Credit Analyst of similar temperament whose experience covers a minimum of five years in this sector. Ref: A2020.

Please send full career details quoting the appropriate reference to **Malcolm Lawson** at **Codd Johnson Harris, Human Resource Consultants, 12 New Burlington Street, London W1X 1FF** or alternatively telephone 01-287 7007 during the working day or 0444-73216 in the evenings.

CJH Codd·Johnson·Harris

A key role with a prime banking name...

ACCOUNT MANAGER

UK Corporate — to £30,000 + car

The Bank is one of the world's top 50 banks. Its well established London Branch is part of a growing global network, which already has a considerable presence in the UK market.

Continued expansion creates a new opportunity for a high calibre individual, with upwards of three years' corporate relationship management experience, preferably to middle sized corporates, to join at managerial level.

Probably aged 28-32, he or she will take responsibility for a limited number of the Bank's existing UK corporate clients but will primarily have responsibility for further development of the corporate customer base. A sound knowledge of traditional lending products, including LBO/MBO financing is required.

This represents a chance to assume a highly visible role within a respected financial institution offering an outstanding environment for career development.

Send a detailed Curriculum Vitae in confidence to J. D. Vine (Ref. AM/24), Vine Potterton Limited, 152/3 Fleet Street, London EC4A 2DH, with a covering letter indicating any Banks, if any, to whom you would not wish your CV to be sent.

VINE POTTERTON
RECRUITMENT ADVERTISING

FTI

FINANCE & TREASURY INTERNATIONAL

CORPORATE TREASURY CONSULTANTS

DUBLIN **£ NEG**

Finance and Treasury International provides consulting and portfolio management services in respect of treasury exposures and risks to domestic and international corporate clients.

Now regarded as the leading firm of treasury consultants in Ireland and already expanding into the UK, FTI is recruiting additional consultants capable of operating at senior corporate level.

The role will appeal to high-calibre individuals, late twenties, early thirties with excellent communication and presentation skills, a strong background in the financial markets (preferably gained in a corporate environment), and the flair to contribute significantly to company objectives. An honours degree or equivalent qualification is desirable.

Individually tailored packages will reflect the experience of candidates. If interested in joining this young, successful company send full C.V. to address below, no later than Friday 16th June, 1989 to Aengus Murphy, Managing Director.

FINANCE AND TREASURY INTERNATIONAL,
Russell Court, St. Stephen's Green, Dublin 2.

Strategic Finance and Treasury International Limited, trading as FTI, is a member of the ESB Group of Companies.

IMRO

Senior Compliance Officers

IMRO is one of five SROs recognised by the Securities and Investments Board with responsibility for the regulation of investment management in the UK.

Included within the IMRO Compliance Department's activities are:–

* Regular inspections of IMRO members to ensure that investors are adequately protected
* Carrying out special investigations where there is investor risk concern
* Regular contacts with Members
* Projects related to the development of Conduct of Business Rules.

There is currently a requirement for a number of high calibre professionals to join the existing team.

Candidates will be:–

* Graduates, probably with an accountancy qualification
* With first-class interpersonal skills
* With knowledge of financial services
* Keen to enhance their career in a high profile role, working in a fast moving professional environment.

Prospects with IMRO are excellent as is the remuneration package which includes an excellent base salary and mortgage subsidy.

Interested candidates should contact Karin Clarke on 01-831 2000 or write to her at Michael Page City, 39-41 Parker Street, London WC2B 5LH.

MP
Michael Page City
International Recruitment Consultants
London Paris Amsterdam Brussels Sydney

RATHBONE

Market Opportunities

EQUITIES

Equity Sales – leading City firm, 5 years+ experience required to run European equity sales department.

Equity Research – Analysts required with experience in property, smaller companies, textiles, paper and packaging, financials and leisure.

SWAPS

Swaps Sterling Trader – International Bank. 2-3 years experience.

Swaps Specialist – International Bank. Strong numerical skills and communications ability. Involvement primarily in structuring and trading.

Swaps Brokerage – ranging from London based Houses at brokerage to Director level in London, Europe and the Far East.

The Rathbone Consultancy

Premier House, 77 Oxford St, London W1R 1RB. England. Tel: 439 1188/287 5704 Fax: 494 0539

Jurys Hotel Group plc wishes to announce the appointment of Mr. Walter Beatty as Chairman.

Mr. Walter Beatty is a Solicitor and a Senior Partner in Messrs. Vincent & Beatty of Dublin. He is also Chairman of Atlas Copco (Ireland) Limited, a Director of N.M. (UK) Limited and other Companies.

For further information please contact Mary Crotty Public Relations at Dublin (01) 618777.

INTERNAL AUDIT to £23,000 PA

Financial/computer auditor required by international bank. To assist the Head of Internal Audit, the successful candidate will produce audit programmes, develop flowcharts, report on systems. He/she will have experience as an auditor within a bank or be a part-qualified accountant with a knowledge of investment banking products. Salary to £23,000 p.a. + excellent benefits. Please telephone Shelagh Arneil on 01-583 1661 or send cv to her in confidence:

ASB RECRUITMENT, 50 Fleet Street, London EC4Y 1BE.
(part of Angel International Recruitment)

US EQUITY BROKERS

We are looking for professional Sales/Traders in U.S. market to join our expanding London Office.

If you are self motivated with a solid background in US Equity Sales and have an established institutional client base, we would like to talk to you.

Please contact Davis Bader,
Cantor Fitzgerald (UK) Limited 01-374 4565
or write to:

Davis Bader, Cantor Fitzgerald (UK) Limited
Park House, 16 Finsbury Circus, London EC2M 7DJ

Appointments Advertising
Appears every
Monday
Wednesday & Thursday

هكذا من الأصل

Operations and Administration Manager

City — Kemper Financial — £40,000 + benefits

Kemper Investment Management is the UK investment management arm of Kemper Corporation. The main activities of this US group are in domestic insurance, international reinsurance and investment services. In the UK, KIMCO specialises in portfolio management on behalf of institutional investors. The company's long-term commitment to the UK is evidenced by its choice of a well-respected British Managing Director, and now requires the appointment of a high-calibre Operations/Administration Manager.

Reporting directly to the M.D. you will control the external administration of client portfolios, monitor securities settlements, produce client reports and manage internal micro-computer systems using Lotus software. You will liaise with colleagues in the USA and with external advisors in the UK. You will also be responsible for the company's internal administration.

Probably in your thirties or early forties, you will be able to demonstrate relevant experience at a senior level in an investment management company, including portfolio administration and settlements (bonds or equities). You will be familiar with using micro-computers and will have the flexibility to integrate well into a small, energetic team.

The remuneration package will not be an obstacle for outstanding candidates.

Please reply in strict confidence to Christopher Evans with details of age, career and salary progression, education and qualifications, quoting reference 5258/FT on both envelope and letter.

Deloitte Haskins+Sells
Management Consultancy Division
P.O. Box 198, Hillgate House, 26 Old Bailey, London EC4M 7PL

SECURITIES MANAGER

Senior Position — **To £40,000 + executive car**

Financial Sector Human Resources

A leading Investment Management Company is seeking to recruit an experienced and highly motivated individual to take full day to day responsibility for running their substantial securities department.

The position requires strategic development and management of the broad ranging securities function. This involves settlements, safe custody of UK and overseas stock, transfers, registration and delivery, dividends and rights, underwriting, foreign exchange and money market activities and overseeing the cashiers section. The development and implementation of new systems and staff management will be prime concerns of the job holder.

The successful candidate will therefore be well versed in securities work including multi-portfolio settlement; overseas markets and practices; bonds; unquoted companies; foreign exchange and money market settlements and negotiations with custodian banks. A sound knowledge of IMRO rules is required and a familiarity with, and aptitude for, computer applications is essential.

The successful candidate is already likely to be operating in a managerial/supervisory capacity and to be aged early/mid thirties.

If you have the experience outlined above and would like to pursue this challenging appointment further, we would welcome the opportunity of an informal discussion. Please telephone us on 01-242 3665 (day) or 01-229 0063 after 7 pm. Alternatively send your CV together with details of current remuneration to Jane Ingleby at MCP Management Consultants.

MCP MANAGEMENT CONSULTANTS
11 John Street, London WC1N 2EB. Tel. no 01-242 3665.
Member firm of the Management Consultancies Association

FINANCIAL ENGINEER

ACA/ACCA/ACMA

Aged 24-28

Basic Salary £25,000
Company Car
OTE £50,000

City

A young assertive professional is sought by successful financial brokers for a high profile role.

After training, you will be responsible for the marketing of asset finance concepts and ideas to senior financial executives across a wide spectrum of industrial and commercial companies. In this context, you will develop the ability to anticipate, negotiate and implement complex financial packages and to match borrowers and lenders.

To qualify for consideration, you should be able to display strong interpersonal and negotiating skills coupled with the drive and commercial flair necessary to make you a success.

Our client is a highly profitable asset finance broker and consultancy company looking to increase its share of a lucrative and expanding £8 billion market place. Professionalism, expertise and technical knowledge are all hallmarks of its specialist services which are in high demand.

If you are interested in this exceptional appointment, please write briefly enclosing a CV or telephone Andrew Norton, Consultant – Banking and Finance Division, quoting ref. 5285.

RECRUITMENT SELECTION & ADVERTISING
EXECUTIVE CONNECTIONS
43 Eagle Street
London WC1R 4AP Tel: 01-242 8103

Olliff & Partners P.L.C.

Olliff & Partners PLC is a specialist stockbroker founded two years ago to transact agency business on behalf of institutional clients. The firm is wholly independent, owned by its Directors and staff, and has remained profitable at all times since it started trading. We have a considerable presence in the areas of Asset Based Research and Investment Trusts.

As a result of completing corporate finance transactions in excess of £1.25 bn on behalf of the Boards of various Investment Trusts we have recently increased the size of our Corporate Finance Department.

We now wish to expand our institutional sales desk, consolidate our interest in private client stockbroking and extend our research capability.

In all three areas, therefore, we are seeking a small number of people to participate actively in the further development of the firm.

Institutional Sales Desk

Candidates should have:
- Broadly-based equities experience.
- Good contacts and proven client relationships.
- A record of working to clients' advantage.
- Sound training (or current experience) with a reputable firm.
- Excellent presentational skills.
- The ability to market high quality research.

Private Client Stockbroking

Candidates should have:
- An established and profitable client base.
- Excellent personal presentation.
- The capacity to operate with initiative.
- A background with a City firm.
- The ability to interpret, use and disseminate research.
- Some knowledge of personal tax planning.

Research Department

Candidates should have:
- The flair to initiate asset based research ideas.
- An ability to write clearly, concisely and speedily.
- Excellent presentational skills.
- Experience with a relevant financial institution.
- A detailed understanding of company accounts.
- A degree level qualification.

We set high standards in the presentation of advice and service to clients and expect corresponding intellectual standards, administrative abilities and commercial acumen. We are able to offer a long-term career with bright prospects in an organisation which respects the need for professional integrity and excellence in support services.

Salaries are commensurate with experience and will be negotiated to secure the best candidates. Equity participation will be offered at an early stage (within a year of joining) and there are other benefits. Please forward a full curriculum vitae to our adviser:

Terry Fuller, Director (Ref: 050),
HODGSON IMPEY SEARCH & SELECTION LIMITED,
50 Pall Mall, London, SW1Y 5JQ. Tel: 01 321 0336.

A new bank based in the West End is inviting applications for the following positions:

CREDIT AND LOANS MANAGER

An experienced banker to plan and implement lending strategies. Aged 30-40. Salary to £35,000.

FINANCIAL CONTROLLER

Qualified accountant to undertake responsibility for statutory and management reporting and smooth running of the accounting area. Aged 30-40. Salary c£35,000.

SENIOR FOREIGN EXCHANGE and experienced STERLING DEALERS

LEASING

MEDIUM/BIG TICKET MARKETING

This major global bank seeks a high profile graduate or ACA/MBA with proven skills in marketing, negotiating and providing complex and innovative Financial solutions covering Aircraft, Ships, Rigs, Plant etc. Salary neg AAE £35-£40,000 plus full benefits.

SALES AID/MSP/VENDOR PROGRAMS

We have three banks' leasing subsidiaries urgently seeking experts in this specialist field. Vacancies are for Senior Marketing £30-£40,000 plus bonus and benefits, two Sales Executive OTE c£35,000 plus benefits. Age range 25-40 years.

CONTRACT HIRE

A City institution currently seeks either a Senior Sales or General Manager for their flourishing motorcar finance subsidiary, aged c35 years. Salary neg c£30,000 plus benefits.

LEASING ACA's/ACCA's

We have three vacancies for qualified accountants with current leasing, tax systems and general management skills. Vacancies exist in London and in Bucks. Age range 30-35 years. Salary range £30-£50,000 plus benefits.

OLD BROAD STREET BUREAU LTD
STAFF CONSULTANTS
65 London Wall, London EC2M 5TU
Tel: 01-588 3991. Fax: 01-588 9012

ADMINISTRATIVE ASSISTANT REQUIRED

for small West End investment management company. The candidate must be able to speak French and Hindi or Gujerati, have some banking/investment back office experience and be able to handle a PC with ease. Write enclosing C.V. to

Box A1237, Financial Times, One Southwark Bridge, London SE1 9HL

WE CAN TELL YOU WHAT YOU CAN DO!

Our tests of aptitude and interests reveal your strengths, and which career will give you most satisfaction. Find out at any age what you really can do.

Free brochure.

CAREER ANALYSTS
90 Gloucester Place, W.1.
01-935 5452 (24 hrs).

The merchant banking subsidiary of a major Japanese Bank

seeks creative individuals to work as Economic Assistants/Analysts.

The role will have considerable flexibility and be rewarding for the right persons. Some experience is desirable.

Write Box A1244, Financial Times, One Southwark Bridge, London SE1 9HL

Investment Management

Global Indexed Funds

As an integral part of its overall investment coverage, County NatWest Investment Management has a specialist team dedicated to running funds in excess of £4.5 billion in a range of quantitative strategies covering the global equity, fixed income and currency markets.

In line with their programme of expansion they currently seek to recruit an individual to join the Global Indexation Group, to play a crucial role in implementing dynamic hedging strategies on behalf of major multi-national clients. There will also be the opportunity to assist in the development of innovative trading strategies as well as contributing to the formulation of new products.

You will currently be working within a sophisticated treasury or investment management environment with a minimum of three years' experience of foreign exchange and currency options. You will have a first class academic background and a highly quantitative approach and will thrive in a dynamic team environment.

If you would be interested in pursuing this challenging opportunity please contact **Charles Ritchie on 01-831 2000 (evenings & weekends 01-675 0670) or write to him at Michael Page City, 39-41 Parker Street, London WC2B 5LH.**

Michael Page City
International Recruitment Consultants
London Paris Amsterdam Brussels Sydney

FRN SALES

To £50,000 + Bonus

Our client, a major European Investment Bank, seeks to recruit two additional sales persons to its FRN Team. The company, which has been a consistent market maker for several years and is committed to a long term presence in the FRN market, seeks to appoint individuals with at least two years experience in a major FRN market-making house. Successful candidates will have a commitment to the FRN market but must have the ability to be flexible and imaginative about other instruments and markets that are being developed. Salary will be based on experience and client base, and there is a wide range of benefits including a generous bonus.

Interested candidates should write, in the first instance, with full career details to:

Liz Goodchild,
Bastable-Dailey Advertising & Marketing International Ltd.,
18 Dering Street, London W1R 0AX.

Replies will be treated in strictest confidence. Companies to whom you do not wish your application to be forwarded should be stated in a covering letter.

Bastable

ELRINGTON♦ASSOCIATES♦LIMITED
Recruitment Consultants

Investment Manager — Private Clients

London — c£30,000 + car + bonus + benefits

Our client, the Financial Services division of a leading firm of UK Chartered Accountants, is looking for an experienced Investment Manager to run the investment portfolios of high net worth individuals on a discretionary basis. In addition to an established performance record, the incumbent will have had exposure to asset allocation as well as to onshore and offshore products, and will be expected to run in-house Unit Trusts and a successful investment bond broker fund. This is an outstanding career opportunity.

Please telephone, in total confidence, for further information on the above post. Speak to Michael Bamfylde on 01-278 9838 243 Grays Inn Road, London WC1X 8RB

PRIVATE CLIENT MANAGEMENT

Individuals/Partnerships with between £3m and £20m of presently managed or possible funds to be managed, who are seeking the infrastructure within which to manage the funds, should contact

Box A1239, Financial Times, One Southwark Bridge, London SE1 9HL

SENIOR INVESTMENT ANALYST
UK EQUITIES

PosTel Investment Management Limited, investment manager for the British Telecom and the Post Office Staff Superannuation Schemes, is seeking a competent professional to join a small team managing UK discretionary portfolios.

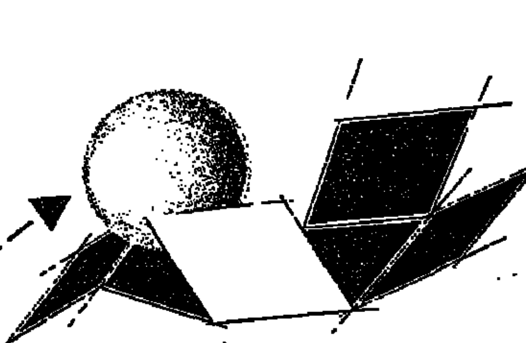
The successful candidate would be responsible for analysing and dealing in stocks in specific sectors. In addition he/she would be expected to contribute to formulation of overall sector strategy.

Applicants should be graduates with a high level of numeracy and at least 4 years management/analysis experience.

A competitive salary is offered. Benefits include mortgage subsidy, five weeks holiday, contributory pension scheme, loan scheme and bonus scheme after a qualifying period.

Please apply in writing to:
Sheena Gibson, Personnel Manager, PosTel Investment Management Limited,
Standon House, 21 Mansell Street, London E1 8AA

PosTel
INVESTMENT MANAGEMENT LIMITED



One of the world's largest suppliers of total information systems with a $10 billion turnover, Unisys is a significant force in Europe with dramatic and exciting plans for future growth.

Our determination to provide total solutions to our customers not only allows them to be more competitive, but also allows our own people to be more creative in the solutions they design and implement.

In order to concentrate on customer needs and business opportunities, we have already established a number of industry centres throughout Europe to provide marketing and consultancy expertise. As part of our commitment to the manufacturing and distribution industries, we are now opening our newest and largest centre yet, west of London.

Such an environment demands professional excellence, and we are now looking for some of the best technical and business minds in Europe.

Key appointments are to be made within the European Headquarters to support our initiative in the following industry sectors.

● *AEROSPACE* ● *AUTOMOTIVE* ● *MECHANICAL ENGINEERING* ● *CHEMICAL* ● *FOOD* ● *PHARMACEUTICAL* ● *RETAIL* ● *WHOLESALE* ● *DISTRIBUTION*

PROGRAM MANAGERS

The Program Manager will be responsible for the strategy and implementation of the complete program comprising Unisys' core products, services and third party applications targeted at a specific industry across Europe.

Working closely with our Industry Consultants, technical support staff and country organisations, candidates must have a significant marketing background and experience in IT, coupled with strong industry knowledge.

INDUSTRY CONSULTANTS

The Industry Consultant will bring expert knowledge in their specific sector to provide consultancy services to major corporations throughout Europe.

The job will involve a close interaction with the Program Managers in defining the range of solutions which Unisys will market.

Candidates must have the stature and experience to successfully contribute at the highest level to our customers' business needs.

These appointments are part of a major business initiative and successful candidates can expect a generous remuneration package commensurate with an international assignment of this level.

Marking clearly the position applied for, please send your career and salary details to Lynne Stafford, Information Technology Recruitment, Ref: 3318/LS/FT, PA Consulting Group, Hyde Park House, 60a Knightsbridge, London SW1X 7LE. Tel: 01-235 6060. Fax: 01-235 9838.

UNITING THE BEST MINDS IN EUROPE

IT in Manufacturing & Distribution

UNISYS

Sassoon Securities

RESEARCH ANALYSTS

HONG KONG

Competitive Remuneration Package, Security of Employment and the Opportunity to work in a Stimulating and Professional Environment

As part of an expansion programme, Sassoon Securities Limited, a member of the J.M. Sassoon group, wishes to strengthen its research team in Hong Kong. A limited number of career posts are available and will be offered to experienced research analysts who have detailed knowledge of the Hong Kong equity market, who have a professional approach and the ability to contribute to the establishment of a closely-knit team.

Sassoon Securities Limited is a significant broker in the Hong Kong market and has gained the respect of a wide range of international institutions of the highest calibre for its advice. Successful candidates will be responsible for upholding and enhancing further this reputation and will be required to work closely with the company's sales team which is also being expanded.

Please send a full curriculum vitae to Justine Stephens-Clark quoting reference 1867 should this challenge appeal.

KPMG Peat Marwick McLintock

Executive Selection and Search
70 Fleet Street, London EC4Y 1EU

PHARMACEUTICALS

FINANCIAL SERVICES

Competitive Salary + Car + Excellent Benefits Package

EUROPEAN EQUITY RESEARCH

Our client, a major European AAA rated bank, is seeking two Senior Analysts for their highly professional team, to be responsible for either of these important research areas.

Based in London, these are critical appointments designed to further strengthen their European equity research capabilities. Interested candidates should have a minimum of 3 years' solid investment analysis experience, gained with a major broker or leading financial institution, possibly combined with a relevant industry background, and reasonable fluency in at least one other European language.

Please contact David Little or John Smith.

Shepherd Little & Associates Ltd

Banking Recruitment Consultants

Ridgway House 41/42 King William Street London EC4R 9EN
Telephone 01-626 1161

MONEY MARKET DEALER STERLING and F.X. MARKETS

£ Negotiable + Benefits *City*

Lloyd's of London with its breadth and depth of experience contains what is probably the world's greatest concentration of insurance expertise.

We are looking for a young (20's) Money Market Assistant, who has experience of The London Money and F.X. Markets, to join a small Treasury Team responsible for managing a variety of Lloyd's funds.

The work will involve the lending and borrowing of Sterling and up to ten other currencies for periods ranging from overnight to five years forward. This will involve assessing various methods of covering foreign currency exposure and dealing in spot and forward currency markets.

There is considerable scope for career development and a competitive salary is backed by a benefits package which includes mortgage subsidy, non-contributory pension, private and permanent health cover, interest free season ticket loans and subsidised meals.

Please write with full C.V., including salary details and quoting ref: P.D 0521 to Sue Neumeister, Personnel Department, Lloyd's of London, London House, 6 London Street, London EC3R 7AB.

LLOYD'S
LLOYD'S OF LONDON
A TRADITION STRENGTHENED THROUGH CHANGE

NYCKELN

MANAGER - SYNDICATIONS/ PARTICIPATIONS

WEST END **£NEG**

NYCKELN FINANCE COMPANY LIMITED is the UK subsidiary of NYCKELN HOLDING AB - the largest publicly-quoted finance company in Sweden.

As a result of growing demand for our specialised niche services we now wish to recruit a professional banker with entrepreneurial inclination to take prime responsibility for syndicating new loans and participating out existing loans.

Applicants (aged c.30) should be credit-trained and able to demonstrate a successful track-record over several years in one or more of the following: property lending/ hotel and leisure finance/corporate finance/lending secured against shares/loan syndications. The ability to initiate and complete own transactions must be evident while an accounting or legal background would be an advantage. The attractive compensation package for this key position in a small highly motivated team is dependent on both experience and performance.

Please send detailed CV's in confidence to:

**Ross W Tanner, Managing Director,
Nyckeln Finance Company Limited,
42 Wimpole Street, London W1M 7AF. Tel. No. 935 2806**

Senior Dealer-Money Markets

Salary neg. up to £45,000 plus bonuses and banking benefits.

Our client is one of the larger U.K. financial service institutions with an impressive record of growth and innovation. A recent development is the establishment of a bank to service private, commercial and public service clients. A retail branch banking network being put in place.

Business volumes have reached the point at which a new position of Senior Dealer-Money Markets has been created at the Central London group head-quarters. In keeping with the group's active expansionist aims, the Senior Dealer will be given considerable scope for business development and marketing.

Candidates must have about 5 years' money markets experience with a reputable firm, sound training, a good degree, a successful sales record and be able to demonstrate promotion and management potential. Full banking benefits are available, plus a car and performance related bonuses. Please telephone for a discussion 01-321 0336 or forward a full curriculum vitae with salary details to:-

HODGSON IMPEY

Terry Fuller (Ref 048)
Director
HODGSON IMPEY
SEARCH & SELECTION LIMITED
50 Pall Mall London SW1Y 5JQ

هكذا من الأصل

FIXED INCOME SALES
Quality house requires a Swiss or Swedish National with a minimum of 2 years experience. Candidates must have multi currency product knowledge and a good client base, Highly competitive salaries available. Please call Julie Shelley

O.A.T.S. TRADER
Several houses require experienced Traders with knowledge of MATIF. Fluent French essential. Please ring Stuart Norbury.

FIXED INCOME SALES
French speaker or French National to cover Central Banks, Multi-product experience. Please call Richard Ward

JAPANESE EQUITIES SALES
An expanding Japanese securities house is looking for an experienced salesman to be deputy head of sales. The candidate should have a minimum of 2 years Japanese Equity Sales experience. A graduate preferred. The company offers a competitive package and excellent career development. Quote DF/255.

FIXED INCOME SALES £NEG
International house require 3 Salespersons with a minimum of 2 years experience. U.K. and or European experience would be considered. Excellent packages offered to the successful candidates. Please ring Sue Stevens for further details.

BUNDS TRADER
Bunds Trader required by top Investment Bank. Must have experience of running own book. Company offers excellent package including a no limit performance bonus, car, mortgage subsidy, etc. In strict confidence Quote reference DF/511.

MONEY MARKETS SALES
Various houses require experienced sales people for their existing teams. For further details please ring Stuart Norbury.

FUTURES & OPTIONS
Various houses require good experience of either Sales or Trading Financial Futures and Options. Please call Sue Stevens

JAPANESE WARRANT TRADER/MARKET MAKER
Various houses require a Japanese Warrant Trader with a minimum of 1 - 3 years experience. Good working and education background essential. Excellent package available for right person. Please ring Julie Shelley.

CONVERTIBLE SALES
Good experience in Sales of U.K. Convertible to either a U.K. or European coverage. Good knowledge of European U.S. Convertibles would be an advantage. Various houses looking. Please call Richard Ward.

CAMBRIDGE APPOINTMENTS,
232 Shoreditch High Street, London E1 7HP. Fax No. 377 0887
01-377 6488

Samuel Montagu & Co. Limited

Corporate Finance

Samuel Montagu is a leading UK Merchant Bank and a major force in the field of corporate finance advice. The Corporate Finance department provides financial advice to a wide range of both established and developing companies both in the UK and internationally. Samuel Montagu has an innovative approach to transactions which is best demonstrated by their recent track record.

- UK advisers to Maxwell Communication Corporation on the successful US$2.6 billion bid for MacMillan Inc and the US$750 million acquisition of Official Airline Guides.
- Successful £750 million contested bid on behalf of Mecca for Pleasurama.
- WPP's spectacular $566 million acquisition of the US advertising group, JWT Group.
- Advised Richard Branson on the successful management buy-out of Virgin Group.

The department now seeks high calibre individuals at both assistant manager and executive level.

To be considered for these roles you are likely to be:

- aged 24-30
- either professionally qualified as an ACA or solicitor working within a major City professional practice
- or an experienced corporate financier with at least 18 months' directly relevant experience, in another merchant bank or stockbroker.

In addition it is essential that candidates possess the necessary initiative, ambition and drive to enable them to contribute both to their own success and that of the department's.

The financial rewards will reflect the age and experience of the appointed candidates. This will not be a limiting factor for the right individual.

To discuss these opportunities in greater detail, please call either **Paul Wilson** or **Penny Bramah** on 01-831 2000 or write to them at Michael Page City, 39-41 Parker Street, London WC2B 5LH.

Michael Page City
International Recruitment Consultants
London Paris Amsterdam Brussels Sydney

CORPORATE FINANCE BOUTIQUE

Graduate ACA
Barrister
Solicitor

Aged to c.30

To £40,000 + profit share

A highly capable professional with considerable personal flair and first class technical skills is sought for a soundly financed corporate finance boutique.

Your role, within an entrepreneurial environment, will be wide, encompassing corporate finance advice, capital raising, divestments, acquisition searches (in conjunction with an associated firm of strategy consultants), international M&A assignments, etc.

Applicants for the post must clearly demonstrate outstanding personal and professional credentials. You should have had two years' corporate finance experience or have gained expertise in special work with a major accountancy practice or have specialised in corporate work with a major legal firm.

The boutique has been established for nearly three years, has international backers of the highest quality and acts predominantly for large and medium sized companies which value its expertise and independence. Its Chairman has over 20 years' merchant banking experience gained at senior levels both in the UK and overseas.

Interested applicants should address a CV to Angela Britton, Manager – Banking and Finance or alternatively ring for a personal history form, quoting ref. 5280.

RECRUITMENT SELECTION & ADVERTISING
EXECUTIVE CONNECTIONS
43 Eagle Street
London WC1R 4AP Tel: 01-242 8103

LEASE FINANCE MANAGERS

Paris/Brussels base — **FF 400,000 + Substantial Bonus + Car**

With a highly focused objective to maintain its dominant European position, this high profile computer leasing group is committed to maintaining competitive advantage through innovative and enterprising funding and sales programmes.

As a consequence there is an immediate requirement for experienced leasing specialists within two of their European operating units.

Liaising closely with sales staff, primary responsibilities will comprise negotiation of funding lines with banks and other leading institutions, development and structuring of funding strategies, together with accurate evaluation of risk exposure to minimise credit underwriting.

The ideal candidates, aged 30-35, will possess a thorough knowledge of cross-border, big ticket leasing within either an institutional or leasing company environment. Self-confidence, assertiveness and a strong team spirit are essential qualities for these high profile and demanding roles.

The above salary is negotiable but will include a performance related bonus, company car and other associated benefits.

For further information please contact James Hyde in London on 01-437 0464 or Pasquale Mazzuca in Brussels on (32 2) 6495833. Alternatively write to James Hyde, enclosing a brief CV, at the address below.

ROBERT • WALTERS • ASSOCIATES
RECRUITMENT CONSULTANTS
Queens House 1 Leicester Place London WC2H 7BP
Telephone: 01-437 0464

CHARTERHOUSE

LEVERAGED ACQUISITION FINANCE

Charterhouse has developed increasing recognition as a leader of large management buy-outs and corporate finance driven acquisition funding in recent years and is extending its broad range of tailored debt-financing services to an expanding corporate base. The group is committed to building an integrated approach to leveraged financing with emphasis on close co-operation between its debt, equity and corporate finance activities. The resulting growth in this area has created a number of exciting opportunities in our Corporate Banking Department.

Successful candidates would be joining an already successful team of professional bankers providing specialist services to its U.K. and European corporate customers. We are seeking exceptional graduates, with at least 3 year's banking experience gained with an established merchant/investment bank or MBA's/ACA's with good analytical skills. Candidates should have proven expertise in risk assessment and financial modelling. They should also be attracted by the opportunity of generating their own deal flow through creative ideas and strong marketing skills.

We offer an attractive salary and comprehensive banking benefits.

Please write enclosing a comprehensive C.V. to Keith Robinson, Group Personnel Manager, Charterhouse Bank Limited, 1 Paternoster Row, St Paul's, London EC4M 7DH.

Charterhouse Bank Limited is a member of The Securities Association.
The Royal Bank of Scotland Group

Assistant Executive Director – Business Strategy

SURREY BASED c£40K plus Benefits

Following the merger between Abbey Life and the five Lloyds Bank businesses four months ago, we are looking for the right person to co-ordinate future business plans, identifying expansion opportunities for this new and powerful financial services group, as well as developing activities where we have a competitive advantage.

The right candidate will have substantial marketing experience, not necessarily within the sector, and will ideally have a first degree and an MBA from a leading business school. Alternatively, a professional qualification with direct relevant marketing experience in the industry could prove an appropriate background coupled with exceptional persuasion and communication skills. The essential skill is the ability to propose and analyse complex strategies in a rapidly changing market place.

Reporting directly to the Group Marketing Director, this appointment can be viewed as an introduction to one of the most exciting financial services groups. Career success will lead to senior line management opportunities within it.

The package will be attractive to high calibre applicants. Benefits compare favourably within the industry and include an executive car and, where appropriate, assistance with relocation expenses.

In the first instance write with CV to Beverly Kaye, Personnel Department, Abbey Life, 80 Holdenhurst Road, Bournemouth. BH8 8AL.

FIXED INTEREST ANALYST

Provident Mutual is one of Britain's most successful Life and Pensions organisations. Their investment team currently manage total funds of around £5 billion and business continues to expand rapidly.

Because of this we are currently seeking an analyst to work with our existing Fixed Interest team, specialising in overseas bond markets. This position would particularly suit someone wishing to pursue a career in fund management.

The ideal applicant will be a graduate in an economics/maths or equivalent discipline aged in their early 20's and preferably with some experience in a city environment. The ability to work as part of a team, a keen attention to detail and the desire to succeed are also important qualities.

In return, we offer a competitive starting salary and benefits include a mortgage subsidy scheme (depending on age and experience), non contributory pension, 20 days annual leave and BUPA.

Please apply in writing giving full details of your career history and current salary to Miss C A White, Senior Personnel Officer, Provident Mutual Life Assurance Association, 25-31 Moorgate, London, EC2R 6BA.

PROVIDENT MUTUAL

APPOINTMENTS ADVERTISING
Appears every
Monday Wednesday and Thursday
for further information
call 01-248 8000

OPPORTUNITY FOR EXPERIENCED INDUSTRIAL CONSULTANT

A leading international industrial market research company offers a challenging position in the areas of machinery, instrumentation & controls, energy systems and electrical & mechanical engineering components. Good pay and benefits.

If you have had senior management consulting, marketing and/or market planning experience, can identify industry research needs and can direct and manage senior consultants, reply in confidence to:

Box A1241, Financial Times, One Southwark Bridge, London SE1 9HL

SENIOR MANAGER

For small/expanding commercial bank.
'All rounder' required with extensive U.K. banking experience including Credit and Operational areas.
Preferably qualified accountant (Chartered or Certified). Excellent opportunity to join young management team.
Remuneration package in region of £30,000 per annum.

Apply in writing, marked "Strictly Private and Confidential" to The General Manager, FIBI Bank (UK) Limited, 2 London Wall Buildings, London Wall, London EC2M 5PP.

TREASURER

Leading Financial Institution in the Gulf seeks an experienced individual who is completely familiar with all aspects of Treasury and foreign exchange management.

The salary is negotiable, and will be commensurate with the experience of the successful applicant. The package will include normal expatriate benefits such as villa on a compound, car, health insurance and flights home. Future prospects are excellent.

Please send C.V. with reference to Box A1238, Financial Times, One Southwark Bridge, London SE1 9HL

COMMODITIES AND AGRICULTURE

Price fall puts gold profits under pressure

By Kenneth Gooding, Mining Correspondent

NEARLY 20 per cent of non-Communist world gold output is currently being produced at a loss, according to Consolidated Gold Fields' annual study of the market.

The gold price this week touched the lowest level for 33 months and Gold Fields suggests: "The lower price already is beginning to pose problems for some of the highest cost producers. Further weakness could quickly be translated into falling production levels in some countries."

The study says South African output is particularly vulnerable.

The author, Mr George Milling-Stanley, points out that average western world gold mining cash costs increased by 5.5 per cent from $236 a troy ounce in 1987 to $249 an ounce last year. At the same time the average price of gold fell by 2.2 per cent in US dollar terms, from an average of $446.53 an ounce to $436.83. So far this year the price has averaged $389.

However, in South Africa cash costs rose by 6.2 per cent to $275 an ounce. "At least five mines accounting for some 38 tonnes of gold (a year) incurred operating costs which exceeded the revenue earned from their gold production," the study adds.

"A further seven (South African) mines, yielding some 60 tonnes, operated at costs uncomfortably close to the revenue earned. Taking into account total costs, including replacement plant, machinery and spares, several other mines were unprofitable."

Mr Milling-Stanley says the South African industry remains very labour intensive and the rapid increase in wage settlements in recent years has had a particularly adverse impact on costs. The devaluation of the South African currency has not been sufficient to offset the effect of rising costs.

The study also suggests there is a growing debate between central bankers in the industrialised countries of Europe and North America and those in the developing nations, particularly in the Far East, about the place of gold in their reserves.

The first group often holds more than half its reserves in gold and is beginning to feel the need for greater flexibility to operate in foreign exchange markets.

"It is thinking along these lines which has led for example to the big sales throughout most of the 1980s from Canada and the disposal in the opening months of 1989 of 10 per cent of the Belgian gold reserve," the study says. The Bank of Canada reported the sale of 43 tonnes of gold last year.

In contrast, the newly industrialising countries of Asia boosted their purchases of gold to such an extent that the net result of transactions by central banks and other government-controlled monetary and investment organisations last year was to remove about 270 tonnes from the private sector markets in the non-Communist world.

This was almost four times the purchases by the sector during 1987 and represents the highest level of official purchases since 1981, according to Gold Fields.

Taiwan was the leading (and much-publicised) buyer, adding 181 tonnes of gold to its reserves last year on top of 65 tonnes bought in 1987. This helped to raise the gold content of Taiwan's reserves to about 8 per cent.

Mr Milling-Stanley says gold loans and forward sales had a profound influence on the supply of gold to the market last year. They represented by far the largest element in the additional supply of more than 450 tonnes which was required over and above the gold drawn from conventional sources in order to satisfy the exceptionally high demand.

It is estimated that at least 150 tonnes of additional gold was released into the world market during 1988 as a result of gold loans. Repayments of older loans reduced the total by only about 20 tonnes last year.

The study suggests, however, the peak of gold loan and forward sales activity might have passed.

Gold Fields says the other main features of the gold market in 1988 included:

Total supply of gold to the non-communist private sector fell by nearly 10 per cent to 1,850 tonnes.

Mine production continued to increase, reaching 1,538 tonnes, the highest level ever recorded.

Net sales from the communist bloc and supplies of old gold scrap were both lower than the year before.

Total fabrication demand rose by 16 per cent to a record 1,844 tonnes, absorbing virtually all the conventional supply.

Demand for fabrication into jewellery grew by almost 30 per cent to a record 1,484 tonnes, including scrap. Consumption of newly-mined gold in jewellery was also a record and 40 per cent above the 1987 level at 1,233 tonnes.

Demand for gold in industrial applications rose to the highest level since 1979, to 258 tonnes, in line with the growth in world economic activity.

Gold used in the minting of official coins fell to 138 tonnes. Sales were halved at 102 tonnes.

Identified bar hoarding outside of Europe and North American registered spectacular growth at 474 tonnes, easily a record.

Total demand exceeded conventional supplies by 468 tonnes. This shortfall was met by accelerated supplies in the form of a big increase in gold loan activity and forward selling by producers, together with some disinvestment in Europe and North America.

Looking ahead, Mr Milling-Stanley suggests: "The possibility of any substantial fall in the (gold) price is limited by the continued high levels of demand in the Far East, while any significant upward movement could be expected to be moderated by accelerated selling by producers, in the form of both forward sales and additional gold loans."

Gold 1989: Free from Consolidated Gold Fields, 31 Charles II Street, London SW1 Y 4AG.

Gold Supply and Demand in the Non-communist World (tonnes)

	1988	1987	1986	1985	1984	1983
Mine production	1,538	1,382	1,293	1,233	1,162	1,114
Net communist sales	258	303	402	210	205	93
Net official sales (purchases)	(270)	(72)	(145)	(132)	85	142
Scrap	324	405	474	304	291	294
Total supply	1,850	2,018	2,024	1,615	1,742	1,643
Fabrication demand	1,844	1,596	1,686	1,485	1,483	1,231
Net surplus	6	422	338	130	260	411
Identified bar hoarding outside Europe and North America	474	268	214	306	332	73
Net implied investment (disinvestment) in Europe and North America*	(468)	154	124	(176)	(72)	338

*Includes net impact of gold loans and forward sales. Source: Consolidated Gold Fields

Auditors doubt commitment to EC agri-monetary reform

By Tim Dickson in Brussels

STRONG DOUBTS about the European Community's commitment to phase out its notorious agri-monetary system by 1992 have been voiced in an important new report published today by the EC's Court of Auditors.

The review, written by the EC's main financial watchdog, highlights hidden budgetary costs, potential trade distortions and the much publicised scope for fraud in areas like the border between Ireland and Northern Ireland. It also points out the way in which EC Farm Ministers have been able repeatedly to undermine attempts at common price restraint with the open collusion of the European Commission.

Of most interest to Brussels and the member states, however, is the attention the report focuses on a system which yields different national price levels for agricultural products within the community and which is "therefore not compatible with the single market objective."

Without progress towards economic and monetary convergence, agreement on a genuine common price level for EC agriculture and a reduction in the role of EC support mechanisms in determining market prices, it concludes, "the objective of complete and lasting abolition of the agri-monetary system will be difficult to achieve."

The agri-monetary system is based on the artificial exchange rates – known as "green" rates – used to convert Ecu denominated EC agricultural prices into national currencies. Additionally, so-called monetary compensatory amounts (MCAs) bridge the gap between green and market exchange rates and are applied at the Community's internal and external frontiers to minimise the impact of the green rate system on agricultural trade flows.

The main criticism of the report centres on the "switchover" mechanism introduced in 1984 as a means of overcoming the difficulty of dismantling "positive" MCAs in Germany and the Netherlands during a period when price increases in the Ecu were severely restrained. The effect of that would have been to reduce prices in terms of national currencies. By rebasing the system on the DM, however, the effect has been to raise the common price level in line with the strongest currency in the European Monetary System, and secondly to widen the gap between agricultural and market exchange rates.

"If at some time in the future all the gaps have been removed, the green rates will still not be aligned with real exchange rates.... Unless, however, the Community is willing to accept a reduction in national currencies it will be necessary to increase the common prices in Ecu. At this point the increase will be a common price level, caused by the switchover mechanism, and largely hidden at the present time, will become apparent."

The Court's report is particularly critical of the fact that these price increases generated by the "switchover" are not decided openly by the Council of Ministers but arise as a consequence of the appreciation of the DM.

It is also concerned that the EC budget does not identify clearly the full impact of the system, partly because green rates are used when the payments are made to beneficiaries and market rates when the payments are recorded in the accounts.

For 1987 the court estimates that the total budgetary impact (direct and indirect) was almost Ecu 1.5bn (£1.05bn) for the 10-month budget year or 7 per cent of total spending on farm price support, compared with the Ecu 637m actually shown.

On trade distortions, the report cites a number of examples including the practice of loading goods at Antwerp in Belgium and sailing them along the Scheldt to Vlissingen in the Netherlands where higher export subsidies can be obtained.

Frauds and irregularities involving MCAs, meanwhile, can occur in both intra-Community and third country trade.

A total of 142 cases involving an estimated Ecu 11.5m have been reported by member states, out of which 58 concern the UK (almost all of them relating to problems on the Irish border). In one instance a "carousel" arrangement was stopped where animals were found to be crossing the border several times to pick up the subsidies.

"As long as such (agri-monetary) disparities exist it is inevitable that there will be a degree of fraud, probably only the most blatant of which will be detected," the report warns.

Britain's CAP spending below budget

By Bridget Bloom, Agriculture Correspondent

BRITAIN SPENT £379m less on common agricultural policy support in 1988-89 than was provided for in the supply estimates, Mr John MacGregor, the Minister of Agriculture, has said in reply to a parliamentary question.

The largest savings were on intervention purchases of cereals (£147m) following two relatively low cereal harvests and on butter (£107m) following changes to the milk regime.

However, according to a report published this week by the House of Commons Select Committee on Agriculture*, the ministry believes that should UK cereal yields return to 1984 levels, intervention purchases would cost an extra £100m.

Last week a Home Grown Cereals Authority survey of UK wheat plantings showed a record 2.08m hectares, up from 1.88m in 1988, although barley plantings were down.

The HGCA noted that, if 1984 yields prevailed, Britain's cereals crop could reach the record level of 26m tonnes this year.

**Second Report: Public Expenditure White Paper 1989; £3.60. HMSO*

Winnipeg exchange adds barley to its futures list

By David Owen in Winnipeg

THE WINNIPEG Commodity Exchange today launches a futures contract in western barley, in a bid to raise to seven its stable of active grain and oilseed contracts.

Though the event is primarily of local significance – the majority of users are expected to hale from the province of Alberta – the new contract has attracted interest from much further afield. This is due to the novelty of its planned delivery mechanism.

Instead of squaring their accounts by picking up from or delivering to a specified delivery point when each contract month expires, net "longs" and "shorts" will be matched by a central clearance association.

Physical delivery will then be made direct to individual feedlots, with the buyer paying the cost of freight. "To my mind, this is the only futures contract in the world which has a delivery mechanism that can take place over an area as large as southern Alberta", says Mr Robert Purves, the WCE president.

Initially, only the August and November delivery months will be listed. Subsequent contracts will be added, exchange officials state, after any teething problems with the delivery mechanism have been overcome.

A prior attempt to tap Alberta feed barley trade failed because of the prohibitive cost of delivering grain to a specified inland terminal.

During the seven months to February, WCE volume was up 16 per cent from year-ago levels at 949,000 lots, with canola (oilseed rape) futures accounting for close to 50 per cent of the total.

All contracts except for canola and rye traded more actively than in 1987-88.

US grain traders watch the weather

By Deborah Hargreaves in Chicago

CHICAGO'S GRAIN markets hovered uncertainly yesterday as farmers across the cornbelt finished their spring plantings and traders eagerly watched short-term weather forecasts.

"This market is going to be unsure and focused on weather for quite some time now," said Mr Bud Frazier with Chicago brokerage, Balfour Maclaine. Grain prices had tumbled on Monday after storms swept the cornbelt and the dollar surged against other currencies.

The market recovered slightly yesterday in response to some shortcovering and a little more strength in the US currency. But the outlook for maize prices this summer remains open.

Although farmers are currently facing favourable weather conditions for the bulk of the maize crop that is already in the ground, any prolonged dry spell in the next couple of months could prove disastrous. After last year's drought, sub-soil moisture reserves are not high enough to sustain the crop through a dry June or July.

"Our biggest concern is that sub-soil moisture west of the Mississippi is at half of its normal capacity or less," says Mr Bob Wisner, an economist at Iowa University. Maize usually gets about a third of its moisture needs from the sub-soil.

Ironically, while most of the farm belt struggled to recover from last year's drought, Ohio and Indiana faced unusually cold and wet weather this spring. This has delayed plantings in the two states so that Ohio has only a third of its maize crop planted.

The next month is a critical time when the young maize plants become established. Mr Wisner estimates that farmers have planted 6 to 8 per cent more maize than last year which, if conditions are ripe, could provide a bountiful harvest. "But, if there is a dry patch, we could face the tightest supply of maize in recent memory."

Maize stocks have been run down over the winter by a high level of sales to the Soviet Union, which has turned to the US after Argentina – its traditional spring supplier – suffered drought problems with its crop. At around 15m tonnes, Soviet purchases of US maize are approaching a record set in 1984-85.

This leaves traders hypersensitive to any weather news that could tip the balance for the new crop. Chicago's grain markets are likely to see wide swings through June as players assess the progress of this year's crop. Like the farmers, Chicago's traders remain extremely nervous.

WEEKLY METALS PRICES

All prices as supplied by Metal Bulletin (last week's prices in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,900-1,940 (1,950-2,025).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 5.90-6.20 (6.00-6.25).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 6.85-7.00 (same).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 7.40-7.60 (7.30-7.60).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 250-260 (250-270).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.68-3.75 (3.65-3.70).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 6.70-7.40 (same).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO₃ cif, 51-64 (53-65).

VANADIUM: European free market, min. 98 per cent, $ a lb VO, cif, 7.40-7.70 (8.00-8.40).

URANIUM: Nuexco exchange value, $ per lb, UO, 10.70 (same).

WORLD COMMODITIES PRICES

LONDON MARKETS

ALUMINIUM prices fell sharply again yesterday on the LME, cash metal shedding $102.50 to $2,060 a tonne after Monday's fall of $127.50. Traders said the main depressing influence was Monday's International Primary Aluminium Institute production figures for April, showing a further 200 tonnes per day increase over March. This reduced concern about a possible tightness of supplies in mid-July. Nickel was also in retreat. Dealers said the current downtrend showed no sign of ending. Coffee prices tumbled amid sentiment that there was more than sufficient supply for delivery against nearby May. Dealers said trade houses holding long positions in near May continued to liquidate aggressively. May fell to a small discount to July, compared with a premium of almost £300 a couple of weeks ago.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$14.85-5.00v	+0.45
Brent Blend	$17.65-7.80q	+.425
W.T.I. (1 pm est)	$19.08-9.13v	
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$238-241	-5
Gas Oil	$144-146	-1
Heavy Fuel Oil	$86-87	
Naphtha	$176-178	+3
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$384.50	+4.25
Silver (per troy oz)♣	526c	+12
Platinum (per troy oz)	$497.50	+4.75
Palladium (per troy oz)	$149.90	+1.40
Aluminium (free market)	$2090.0	-132.5
Copper (US Producer)	123⅝-125c	
Lead (US Producer)	38.5c	
Nickel (free market)	570c	-10
Tin (European free market)	$10240	-10
Tin (Kuala Lumpur market)	27.30r	+0.15
Tin (New York)	469.75c	-0.25
Zinc (US Prime Western)	85¾c	
Cattle (live weight)†	117.76p	-0.49*
Sheep (dead weight)†	229.56p	-40.11*
Pigs (live weight)†	84.03p	-2.10*
London daily sugar (raw)	$293.6u	-3.8
London daily sugar (white)	$356.5u	-1.5
Tate and Lyle export price	£297.5	-7.5
Barley (English feed)	£104.0w	-0.5
Maize (US No. 3 yellow)	£132.5	-0.5
Wheat (US Dark Northern)	£129.25u	-0.50
Rubber (spot)♥	65.00p	-1.00
Rubber (Jun)♥	62.75p	-1.25
Rubber (Jul)♥	62.75p	-1.25
Rubber (KL RSS No 1 Jun)	264.5m	-4.5
Coconut oil (Philippines)§	$582.5z	-7.5
Palm Oil (Malaysian)§	$420	-5
Copra (Philippines)§	$370	
Soyabeans (US)	£196	
Cotton "A" Index	77.65c	-0.25
Wooltops (64s Super)	610p	-5

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. v-Jul. u-Jun/Jul. q-Jun. x-Jun/Sep. w-Aug. z-May/Jun. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low	
May	751	744	751	740
Jul	763	753	766	750
Sep	778	770	782	766
Dec	823	814	826	812
Mar	818	806	817	803
May	819	808	820	814
Jul	829	818	830	820

Turnover:5800 (8022) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for May 19 965.11 (930.96) :10 day average for May 22 928.88 (925.96)

COFFEE £/tonne

	Close	Previous	High/Low	
May	1187	1268	1250	1185
Jly	1195	1230	1225	1191
Sep	1165	1184	1173	1154
Nov	1145	1160	1154	1136
Jan	1135	1155	1150	1138
Mar	1141	1155	1140	
May	1141	1155	1140	

Turnover:7539 (5086) lots of 5 tonnes
ICO indicator prices (US cents per pound) for May 22: Comp. daily 118.37 (119.12) . 15 day average 115.82 (115.46)

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low	
Aug	258.00	261.2	263.20	257.60
Oct	255.60	258.6	260.60	255.40
Dec	254.80	257.4	256.00	
Mar	247.80	251.0	253.20	247.80
May	247.40	250.0	252.00	
White				
Aug	344.00	347.00	352.00	344.00
Oct	325.50	329.00	330.00	325.00
Dec	320.00	325.00		
Mar	307.00	310.50	313.50	308.00
May	305.00	308.00	310.50	
Aug	304.00	306.50	306.50	

Turnover: Raw 3615 (5443) lots of 50 tonnes. White 1609 (1721) .
Paris- White (FFr per tonne): Aug 2355 Oct 2222, Dec 2157, Mar 2086, May 2077 Aug 2070.

CRUDE OIL $/barrel

	Close	Previous	High/Low	
Jul	17.17	16.76	17.27	16.90
Aug	16.76	16.45	16.76	16.55
IPE Index	16.76	17.30		

Turnover: 4941 (6650)

GAS OIL $/tonne

	Close	Previous	High/Low	
Jun	140.75	140.25	141.75	140.25
Jul	138.75	138.25	140.00	138.50
Aug	139.00	138.25	140.00	138.75
Sep	139.50	138.75	140.75	139.00
Oct	141.00	140.00	141.75	141.00
Nov	141.50	140.75	143.00	141.50
Dec	142.00	142.50	143.75	142.00

Turnover 6239 (8194) lots of 100 tonnes

JUTE

June/July c and f Dundee BTC $510,BWC $540 BTD $455,BWD $465,c and f Antwerp BTC $485. BWC $475.BWD $430,BTD $440.

COTTON

Liverpool-Spot and shipment sales ammounted to 250 tonnes, bringing the total for the week so far to 540 tonnes. Fair trading developed mostly in American type varieties.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 16,525 tonne
Cash	2055-65	2160-5	2085/2060	2075-8		
3 months	1965-70	2030-2	2005/1955	1985-8	1970-5	34,303 lots
Copper, Grade A (£ per tonne)						Ring turnover 31,275 tonne
Cash	1617-8	1658-60	1611/1610	1611-2		
3 months	1627-8	1667-8	1632/1618	1623-4	1625-7	73,468 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	518-21	506-8		515-7		
30 June	524-7	512-4		521-3		300 lots
Lead (£ per tonne)						Ring turnover 5,800 tonne
Cash	405-7	407-9	410/406	406-6.5		
3 months	395-6	396-6.5	402/395	395-5.5	400/01	10,364 lots
Nickel ($ per tonne)						Ring turnover 1,346 tonne
Cash	12400-500	12600-700	12400/12350	12350-400		
3 months	12100-200	12375-400	12400/12000	12150-80	12050-150	7,733 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 14,500 tonne
Cash	1750-60	1715-20	1765/1760	1760-5		
3 months	1635-45	1625-30	1650/1635	1635-40	1640-50	11,161 lots
Zinc ($ per tonne)						Ring turnover 15,250 tonne
Cash	1610-20	1604-8		1600-05		
3 months	1560-5	1565-6	1575/1535	1553-8	1565-70	10,628 lots

POTATOES £/tonne

	Close	Previous	High/Low	
Nov	97.0	97.5	98.0	96.0
Feb	110.0	110.0		
Apr	177.4	179.0	179.0	174.0
May	191.0	193.0	190.0	

Turnover 342 (663) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low	
Jun	150.50	152.00	150.50	
Aug	146.50	145.00	146.50	146.00
Oct	145.00	148.00	145.50	145.00

Turnover 266 (219)lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low	
May	1678	1695	1695	1675
Jun	1511	1525	1519	1501
Jul	1402	1403	1412	1388
Oct	1480	1501	1500	1480
Jan	1513	1520	1505	
Apr	1535	1549	1540	1535
Jul	1335	1335		
BFI	1722	1730		

Turnover 399 (365)

GRAINS £/tonne

Wheat	Close	Previous	High/Low	
May	113.75	114.50	114.00	113.75
Jun	114.00	115.00	114.30	114.00
Sep	104.45	104.85		
Nov	106.50	107.05	106.90	106.50
Jan	109.60	110.15	109.90	109.75
Mar	112.60	113.15	112.70	
May	115.75	116.30	116.00	
Barley	**Close**	**Previous**	**High/Low**	
May	109.25	108.25	109.25	108.25
Sep	102.65	102.90	102.75	
Nov	105.60	105.85	105.65	105.60
Jan	108.50	108.75	108.50	
Mar	111.35	111.50		
May	112.85	113.00		

Turnover: Wheat 270 (75), Barley 65 (72).
Turnover lots of 100 tonnes.

PIGS (Cash Settlement) p/kg

	Close	Previous	High/Low
Jun	110.5	111.0	
Aug	109.0	109.5	109.2
Oct	112.0	112.5	111.0
Nov	113.5	114.0	
Feb	108.0	108.5	
Apr	109.0	110.0	

Turnover 88 (16) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	384¼-384¾	231-231½
Opening	382-382½	229-229½
Morning fix	383.40	230.00
Afternoon fix	384.50	230.477
Day's high	385-385½	
Day's low	382¾-383¼	
Coins	**$ price**	**£ equivalent**
Mapleleaf	375-380	237½-240½
Britannia	375-380	237½-240½
US Eagle	375-380	237½-240½
Angel	375-380	237½-240½
Krugerrand	363-366	230-232
New Sov.	85¼-86¾	54¼-55
Old Sov.	85¾-88¾	54¼-55
Noble Plat	499.75-507.70	316.30-321.35
Silver fix	**p/fine oz**	**US cts equiv**
Spot	322.90	510.00
3 months	333.80	522.40
6 months	345.45	535.30
12 months	367.30	560.15

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jul	Sep	Jul	Sep
1850	224	146	22	69
1950	216	95	48	115
2050	95	60	90	176
Copper (Grade A)	**Calls**		**Puts**	
2500	117	134	71	118
2600	70	92	123	173
2700	38	61	190	239

LONDON FOX TRADED OPTIONS

Coffee	Jul	Sep	Jul	Sep
1150	38	88	47	73
1200	25	65	84	100
1250	13	48	122	133
Cocoa				
700	65	84	2	7
750	28	48	15	21
800	7	23	44	48

US MARKETS

IN THE METALS, gold and silver prices rebounded slightly on scattered short covering, reports Drexel Burnham Lambert. Fund selling elected stop orders in the copper dropping prices 195 basis July. Platinum futures fell sharply when an early rally failed to keep prices above the $500 level. In the livestocks, the cold storage report was friendly for the belly market helping prices advance. Cattle futures also gained from the improved movement of feedlot cattle. Hog futures eased on bearish pressure from the cold storage report. The grain markets featured a modest rally in the soy complex from local evening up and light commercial interest. Rains are forecasted for the mid-west growing regions. Corn and wheat futures closed nearly unchanged after quiet dealings. In the softs, coffee prices slipped on news out of Brazil, but firmed up later on speculative buying. Cocoa was lower following a weak London market. Lack of fresh buying pushed sugar prices down. The energy complex gained on steady trade activity. July crude oil closed near the $19 level.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
May	363.8	363.2	0	0
Jun	364.3	363.7	367.5	363.8
Jul	365.9	365.3	0	0
Aug	367.2	366.7	370.5	367.0
Oct	370.8	370.3	373.8	370.9
Dec	374.4	373.9	377.5	374.1
Feb	378.0	377.5	378.5	378.1
Apr	381.8	381.2	384.5	382.5
Jun	385.7	385.0	389.5	385.5

PLATINUM 50 troy oz $/troy oz.

	Close	Previous	High/Low	
Jul	489.2	498.3	502.0	482.5
Oct	489.5	498.3	501.5	484.0
Jan	491.2	500.0	503.0	489.0
Apr	494.5	503.3	505.0	492.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
May	517.3	510.6	527.0	525.0
Jun	518.1	511.4	0	0
Jul	523.2	516.5	535.0	522.0
Sep	532.2	525.4	545.0	530.0
Dec	544.7	537.8	558.0	543.0
Jan	548.8	541.8	560.0	550.0
Mar	557.1	550.1	568.5	555.0
May	565.7	558.7	575.0	567.0
Jul	574.5	567.5	583.0	575.0
Sep	583.6	576.6	0	0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	109.30	111.35	112.00	109.00
Jun	110.00	112.25	0	0
Jul	110.60	112.55	113.00	109.00
Sep	109.80	112.25	112.50	109.00
Dec	109.60	111.25	111.00	108.50

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jul	19.11	18.61	19.30	18.73
Aug	18.25	17.83	18.38	17.94
Sep	17.83	17.48	17.90	17.57
Oct	17.58	17.27	17.68	17.35
Nov	17.40	17.11	17.47	17.21
Dec	17.21	16.98	17.30	17.10
Jan	17.15	16.85	17.20	17.00
Mar	16.93	16.64	16.93	16.87
Apr	16.83	16.55	16.83	16.77

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jun	4700	4698	4770	4700
Jul	4540	4585	4620	4536
Aug	4590	4596	4660	4570
Nov	4845	4806	4875	4819
Dec	4960	4976	4940	4807
Feb	4886	4851	4886	4886

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	1247	1260	1260	1224
Sep	1212	1208	1218	1191
Dec	1217	1209	1220	1196
Mar	1211	1205	1218	1189
May	1208	1195	1206	1189
Sep	1241	1235	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
May	122.89	123.98	122.50	122.00
Jul	134.67	135.35	134.90	132.75
Sep	128.75	128.59	128.75	126.56
Dec	124.60	124.30	125.00	122.80
Mar	123.60	123.50	123.75	121.80
Jul	121.75	123.50	0	0
Sep	119.71	119.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	11.54	11.71	11.88	11.53
Oct	11.46	11.53	11.71	11.45
Jan	11.20	11.39	11.25	11.20
Mar	11.16	11.25	11.36	11.15
Jul	11.15	11.25	11.30	11.15
Oct	11.02	11.20	11.10	11.10

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	67.10	66.97	67.20	66.50
Oct	68.05	68.05	68.25	67.90
Dec	68.42	68.53	68.74	68.30
Mar	68.93	68.87	69.10	68.60
May	69.33	69.30	69.60	69.10
Jul	69.30	69.20	69.50	69.00
Oct	68.78	68.75	68.55	68.55

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	189.00	185.80	189.50	182.75
Sep	178.50	180.50	182.25	178.50
Nov	168.75	170.00	172.00	168.50
Jan	164.80	165.00	166.25	164.60
Mar	163.55	164.40	165.00	163.55
May	162.95	163.90	0	0
Jul	162.95	163.90	0	0
Sep	162.95	163.90	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

May 22	May 19	mnth ago	yr ago
2022.3	2016.5	2033.1	1800.6

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	134.20	135.61	136.16	134.41
Futures	132.97	134.87	139.41	135.63

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	696/4	693/2	704/0	693/2
Aug	687/0	682/6	690/4	683/0
Sep	665/0	665/4	670/4	661/4
Nov	654/4	666/4	668/0	662/0
Jan	662/6	668/4	674/0	662/4
Mar	673/0	677/0	682/4	671/0
May	676/0	684/0	689/0	676/0
Jul	679/4	689/0	692/0	679/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	21.90	22.08	22.35	21.85
Aug	22.12	22.30	22.50	22.10
Sep	22.27	22.62	22.68	22.25
Oct	22.37	22.64	22.78	22.35
Dec	22.68	23.06	23.15	22.68
Jan	22.85	23.17	23.32	22.85
Mar	23.35	23.60	23.70	23.35
May	23.37	23.70	23.35	23.40

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	206.1	205.4	207.5	204.5
Aug	203.6	203.7	204.7	203.0
Sep	199.7	201.0	201.5	199.1
Oct	195.2	197.5	198.0	195.0
Dec	194.0	196.5	197.0	194.0
Jan	193.5	196.5	198.0	193.0
Mar	193.2	194.6	196.0	193.0
May	192.0	194.0	194.0	192.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	265/0	266/0	267/4	264/0
Sep	250/4	253/4	254/2	250/0
Dec	245/2	249/2	250/0	245/0
Mar	252/6	256/2	257/0	252/4
Jul	256/2	259/4	261/0	256/0
Sep	247/0	253/0	0	247/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	395/0	394/2	396/2	392/2
Sep	402/2	401/4	403/4	400/0
Dec	414/6	414/4	416/4	412/4
Mar	420/6	420/0	421/4	418/2
May	410/4	411/0	411/0	409/4
Jul	380/4	383/4	383/4	380/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	70.97	70.42	71.15	70.62
Aug	67.17	66.42	67.37	66.52
Sep	67.80	67.70	68.00	67.80
Oct	69.17	68.82	69.32	68.82
Dec	70.82	70.56	70.92	70.50
Feb	71.25	70.92	71.25	70.87
Jun	71.30	71.20	71.35	71.15

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Jun	48.65	49.05	49.30	48.55
Jul	48.10	48.12	48.50	48.30
Aug	47.10	47.17	47.40	46.82
Oct	43.65	43.45	43.75	43.32
Dec	45.62	45.60	45.65	45.42
Feb	46.65	46.55	46.75	46.55
Apr	44.45	44.60	44.45	44.30
Jun	47.70	47.65	47.70	47.45

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
May	34.32	34.80	36.66	34.15
Jul	34.80	34.55	36.50	33.80
Aug	34.45	34.25	36.20	33.70
Feb	51.57	52.10	54.00	51.35
Mar	51.25	51.60	52.75	51.00
May	53.45	53.45	0	0
Jul	51.60	51.50	0	0
Aug	48.50	48.50	0	0

LONDON STOCK EXCHANGE

Share prices continue to give ground

Account Dealing Dates			
*First Dealings	May 8	May 22	Jun 5
Option Declarations	May 18	Jun 1	Jun 15
Last Dealings	May 19	Jun 2	Jun 16
Account Day	May 30	Jun 12	Jun 26

*New time dealings may take place from 8.00 am two business days earlier.

INTEREST rate worries continued to concern the London equity market yesterday as traders drew in their horns ahead of this morning's news on domestic retail sales, to be followed tomorrow by the UK trade figures for April. An unconvincing attempt by market leaders to rally from early losses was reversed towards the close when sterling took a turn for the worse.

Share prices were on the downside throughout an erratic trading session which saw the market responding to successive, and often conflicting, views on the outlook for domestic and international interest rates. The market tried to open steadier, with traders grasping suggestions that the US authorities might ease credit policies in order to take the heat off the dollar.

There was no shortage of more bearish suggestions, however, notably a strongly-worded comment overnight from Mr Roger Bootle, chief UK economist at Midland Montagu, the UK financial securities house, that UK base rates will have to go to 15 per cent: "a one point rise will not be enough," he said.

Mr Bootle turned the screw a little further yesterday. "The equity market never ceases to amaze me. It seems to have suddenly woken up to the realisation that all in the garden is *not* lovely," he said.

Within half an hour of the market's opening, the limited optimism had waned and the FT-SE Index showed a fall of 18 points. Selling pressure was not heavy, and the fall was again led from the stock futures market.

A hopeful rally in share prices then set in as some traders assured themselves that Wall Street would open firmer on the credit policy stories. When New York came in decidedly lower, London turned off again. The final downward twist came when the pound dipped against both the dollar and the German mark.

At the close, the FT-SE Index was 17.4 down at 2,151.6, near to the day's low. Seaq volume remained high by recent standards at 551.3m shares against Monday's 614.4m. The institutions were largely inactive, however, and this week's shakeout seems to have been mostly confined to the speculative buyers who entered the market last Thursday and Friday.

The mood was not entirely negative yesterday. Despite this week's downturn, market makers are still unwilling to be left short of stock and aim to keep trading books in balance ahead of the UK trade figures announcement.

There was no lack of support for speculative situations among food shares, where the purchase of the stake in Ranks Hovis McDougall by a Sir James Goldsmith-led consortium continued to prompt hopes for a full bid for RHM, and to inspire speculation elsewhere in the sector.

FINANCIAL TIMES STOCK INDICES

	May 23	May 22	May 19	May 18	May 17	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	86.12	86.42	86.70	86.70	86.60	90.30	89.29 (8/2)	85.94 (13/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.23	97.30	97.31	97.03	97.34	98.56	99.59 (15/3)	95.93 (4/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1787.4	1803.6	1837.5	1810.1	1792.2	1426.3	1837.5 (19/5)	1447.8 (3/1)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	168.6	168.3	169.8	175.0	179.4	218.4	198.1 (28/3)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.41	4.37	4.29	4.37	4.41	4.60				
Earning Yld %(full)	10.72	10.63	10.44	10.63	10.74	11.83				
P/E Ratio(Net)(*)	11.25	11.35	11.55	11.35	11.23	10.26				
SEAQ Bargains(5pm)	27,096	34,810	43,470	32,181	28,528	21,189				
Equity Turnover(£m)†	-	1547.51	2165.12	1551.78	1342.01	1057.05				
Equity Bargains†	-	35,711	47,419	35,333	31,346	24,708				
Shares Traded (ml)†	-	554.6	849.6	551.2	479.1	440.1				

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1793.5	1792.1	1793.5	1795.7	1795.5	1792.7	1791.9	1782.5

DAY'S HIGH 1803.9 DAY'S LOW 1780.0

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. †Nil 11.15 †Excluding intra-market business.

S.E. ACTIVITY

Indices	May 22	May 19
Gilt Edged Bargains	92.2	104.1
Equity Bargains	231.4	207.3
Equity Value	3127.9	4376.3
5-Day average		
Gilt Edged Bargains	103.6	108.1
Equity Bargains	236.5	231.3
Equity Value	3113.0	2974.5

● London Report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change
ASDA Group	[illegible]	[illegible]	[illegible]
Allied-Lyons	[illegible]	[illegible]	[illegible]
Amstrad	[illegible]	[illegible]	[illegible]
Argyll Group	[illegible]	[illegible]	[illegible]
Ass. Brit. Foods	[illegible]	[illegible]	[illegible]
BAA	[illegible]	[illegible]	[illegible]
BAT Inds.	[illegible]	[illegible]	[illegible]
BET	[illegible]	[illegible]	[illegible]
BICC	[illegible]	[illegible]	[illegible]
BOC	[illegible]	[illegible]	[illegible]
BPB Inds.	[illegible]	[illegible]	[illegible]
BTR	[illegible]	[illegible]	[illegible]
Barclays	[illegible]	[illegible]	[illegible]
Bass	[illegible]	[illegible]	[illegible]
Beecham	[illegible]	[illegible]	[illegible]
Blue Circle	[illegible]	[illegible]	[illegible]
Boots	[illegible]	[illegible]	[illegible]
Brit. & Comm.	509	199	-2
Brit. Aerospace	979	647	+1
British Airways	8,700	200	-8
British Gas	6,200	179½	-1½
British Land	274	369	+2
BP	2,200	285½	-½
British Steel	9,980	90	-½
British Telecom	13,940	274	+1
Burmah Oil	408	592	-13
Burton	888	232	-2
Cable & Wireless	9,750	549	+4
Cadbury Schweppes	989	361	-5
Carlton Comms.	252	849	-6
Commercial Union	1,080	376½	-5
Cons. Gold Fields	471	1217	-11

Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]
Cookson	[illegible]	[illegible]	[illegible]
Courtaulds	[illegible]	[illegible]	[illegible]
Dalgety	[illegible]	[illegible]	[illegible]
Dixons	[illegible]	[illegible]	[illegible]
Eng. China Clays	[illegible]	[illegible]	[illegible]
Enterprise Oil	[illegible]	[illegible]	[illegible]
FKI Babcock	[illegible]	[illegible]	[illegible]
Fisons	[illegible]	[illegible]	[illegible]
Gateway Corp.	[illegible]	[illegible]	[illegible]
General Accident	[illegible]	[illegible]	[illegible]
General Elect.	[illegible]	[illegible]	[illegible]
Glaxo	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
Grand Met.	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
GUS "A"	[illegible]	[illegible]	[illegible]
GRE	828	211	-1½
GKN	1,200	397	-1
Guinness	1,900	481	-5
Hammerson "A"	38	794	-1
Hanson	6,200	199½	-½
Harrisons & Cros.	1,500	178	-3
Hawker Siddeley	1,400	718	-6
Hillsdown Hldgs.	2,900	279	-5
IMI	218	238	+1
Imp. Chem.	978	1279	+6
Inchcape	1,200	276	-5
Jaguar	1,400	317	-2
Kingfisher	406	302	-5
Ladbroke	1,500	592	-7
Land Securities	1,300	581	-1

Stock	Volume 000's	Closing Price	Day's change
Laporte	9	456	-1
Legal & General	492	316	-3½
Lloyds Bank	852	330	-2
LASMO	1,280	455	-5
Lonrho	415	279	-3
Lucas	588	627	-5
MB Group	85	282	-2
MEPC	201	589	+1
Marks & Spencer	5,800	185	-6
Maxwell Comm.	218	197	-2
Midland Bank	1,200	346	-3
Nat. West. Bank	1,100	630	-9
Next	2,100	148	
Northern Foods	147	309	-4
Pearl	86	405	-3
Pearson	288	728	-2
P & O	520	683	-4
Pilkington	1,000	240½	+½
Plessey	2,200	267	+2
Polly Peck Intl.	244	298	-3
Prudential	2,400	180	-3
RHM	1,400	454½	-5½
RMC	493	773	-15
RTZ	2,200	511	-19
Racal	7,600	483	-14
Rank Org.	505	974	-10
Reckitt & Colman	93	1179	-8
Redland	1,000	600	-14
Reed International	529	394	-5
Reuters	1,400	814	+9
Rolls Royce	2,000	191½	-3
Rothmans	595	535	+7½

Stock	Volume 000's	Closing Price	Day's change
Royal Bk of Scotland	[illegible]	[illegible]	[illegible]
Royal Insurance	[illegible]	[illegible]	[illegible]
STC	[illegible]	[illegible]	[illegible]
Saatchi & Saatchi	[illegible]	[illegible]	[illegible]
Sainsbury	[illegible]	[illegible]	[illegible]
Scot. & Newcastle	[illegible]	[illegible]	[illegible]
Sears	[illegible]	[illegible]	[illegible]
Shell Transport	[illegible]	[illegible]	[illegible]
Siebe	[illegible]	[illegible]	[illegible]
Smith & Nephew	[illegible]	[illegible]	[illegible]
Smiths Industries	[illegible]	[illegible]	[illegible]
Standard Chartered	[illegible]	[illegible]	[illegible]
Storehouse	[illegible]	[illegible]	[illegible]
Sun Alliance	[illegible]	[illegible]	[illegible]
T&N	[illegible]	[illegible]	[illegible]
TSB	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
Tarmac	4,300	341	-11
Tate & Lyle	781	258	+1
Taylor Woodrow	63	654	-4
Tesco	2,900	176	-5
THORN EMI	3,600	700	-12
Trafalgar House	680	383	
Trusthouse Forte	1,600	308	-4
Ultramar	102	303½	-21½
Unilever	1,000	550	-4
United Biscuits	1,200	339½	-6½
Utd. Newspapers	192	433	-8
Wellcome	731	454	-2
Whitbread "A"	1,900	344	-2
Williams Hldgs.	976	265	-2
Wimpey	1,400	281	-4

Ultramar active on placing

Ultramar shares suddenly came under pressure during the afternoon as the market picked up the scent of a big share placing. It was later revealed that Sir Ron Brierley had placed his near 14 per cent stake, or 52m shares, in Ultramar through Smith New Court, the securities house, at 305p a share. IEP Securities, Sir Ron Brierley's investment company, later said the shares had been placed with institutions.

Sector specialists said the placing had gone pretty smoothly although there was plenty of aggressive market activity in Ultramar shares in which a backwardation developed on two occasions.

The share price edged ahead to 327p initially but subsequently dropped to 301p as the placing news leaked out, before closing a net 21½ lower at 303½p. Turnover, barely 400,000 shares at midday, eventually reached a huge 103m shares.

Oil company analysts at Hoare Govett reiterated their bearish view of Ultramar after the placing. "The Brierley stake has been rumoured to be up for sale for over a year and Canadian group Noverco did the rounds some time ago trying to put together a consortium to bid for the group. A premium rating for Ultramar is inappropriate," a Hoare Govett analyst said.

But Mr Alan Thomas at Kitcat & Aitken continued to recommend Ultramar, saying: "At 305p the institutions have an outstanding bargain on a longer term view." At Kleinwort Benson, Mr Phillip Lambert said: "Nobody really viewed Brierley as a bidder for Ultramar, it's not as if a potential predator has sold a stake; the institutions have taken the stock on the basis of a re-rating of the shares."

Airways weak

Dealers were surprised to find the British Airways price falling after the company revealed a 17½ per cent improvement in full-year profits, near the highest of expectations. They touched a low of 196p before recovering to 200p, a net decline of 8 points. Turnover was a busy 8.7m shares.

Several reasons for the weakness were mooted. One analyst was said to have assumed that the present strengthening of the dollar would mean higher aircraft costs. However, most took the view that currency changes were broadly neutral for the company.

There was also some confusion about how to handle exceptional items — to strip out or not to strip out - and whether the reduction in pension contributions was a one-off.

Most analysts stayed with their profits forecasts and their more or less bullish views on the stock. One exception was Kleinwort Benson. It downgraded its forecast for the current year from £300m to "between £290m and £300m," and gave a recommendation for the first time in some months: a short term sell.

Dixons busy

Among speculative features, Dixons, the electrical goods retailer, stood out strongly. The shares jumped 9 to 148p on turnover of 8.4m against the background of exceptional business in traded options. Dealers said that the buying was sparked off by early talk that a declarable stake had been built in Dixons, and would be announced soon.

Interest was subsequently sustained by two further stories. One had it that Kingfisher would sell its Comet subsidiary, and use the money to launch a bid for Dixons, with an opening price of 180p-a-share, and a final exit price of around 200p-a-share. The second story was that a consortium, made up of Kingfisher, Boots and Thorn EMI, has been assembled to take over the electrical retailer.

Most analysts treated the stories with caution: bid speculation in Dixons is nothing new. However, most accepted that, in spite of the poor short-term outlook for Dixons, the retailer's large share of the electrical and white goods market and its notable presence on the High Street are undeniable attractions. At the close, Kingfisher were 5 easier at 302p, Boots 4 lower at 297p and Thorn EMI 12 weaker at 700p.

A positive chairman's statement helped Fisons touched 304p before slipping back to 301p, still a net improvement of 3.

Glaxo was hit by profit-taking and some fears that the more optimistic of analysts' profit forecasts for the current year — around £1bn — were unattainable. Mr Steve Plag, analyst with BZW, also pointed out that benefits from an improving dollar would be blunted because the company has high dollar costs.

Beecham held firm against the market trend for most of the day in anticipation of the publication of details of its merger with SmithKline Beckman of the US. It succumbed to the downward pressure just before the close and ended 2 off at 640p.

Sterling's weakness against the D-Mark boosted ICI, which has significant earnings in West Germany. It closed 6 to the good at 1279p in turnover of under 1m shares.

A profits downgrading issued by Ms Judy Stewart at Citicorp Scrimgeour Vickers triggered some big activity in Amstrad shares. They slithered to 95p at one point before rallying to 107p behind some sustained buying interest and dipping again late in the day to close a net 3 lower at 102p. Turnover of 7.5m shares far exceeded the normal daily average.

Ms Stewart trimmed £5m from her profits forecast for Amstrad to £130m for the year, or earnings per share of 15.4p. The Citicorp analyst said there are concerns over UK performance, personal computer sales in particular, which she reckons could be down some 15 per cent on last year.

The banks mirrored the overall market slide with Barclays closing a net 10 off at 467p and NatWest 9 lower at 610p both, however, in thin trading. There was slightly bigger activity in Midland which eased 3 to 346p. Standard Chartered picked up well after Monday's China/Hong Kong induced weakness with the share price finally 4 firmer at 538p.

Merchant banks provided one of the day's good performers in Guinness Mahon, where takeover speculation saw the shares advance strongly to close a net 8 to the good at 138p. But Hambros were vulnerable, and lost 4 to 213p while Morgan Grenfell fell 5 to 275p.

Brewers dropped back with the market amid continued uncertainty over whether Lord Young, the Secretary of State for Trade and Industry, would implement the Monopolies Commission's recommendations on restructuring the brewing industry in full. Bass gave up 9 at 956p, Allied Lyons 5 at 439p, and Whitbread "A" 2 at 344p. Guinness, not directly affected by the restructuring debate, closed 5 weaker at 481p.

Grand Metropolitan dropped 13 to 545p on turnover of 3.6m shares after announcing the disposal of its Calona Wines operation. GrandMet is also putting up for sale two of Pillsbury's food businesses, Van de Kamp's and Bumble Bee Seafoods.

The building sector sustained some hefty falls amid worries of possible interest rate rises. The "heavy end" of the market was particularly badly hit with Redland 14 lower at 600p, Steetley 11 down at 341p and RMC 15 off at 773p.

Worries about the sheltered homes market continued to depress Anglia Secure Homes, expected to report figures soon, with the shares again persistently sold and finally a further 17 off at 270p.

Fairbriar came out with excellent figures showing pre-tax profits up some 52 per cent but the cautious accompanying statement upset the shares which subsequently retreated to close a net lower at 152p.

Leading stores eased sharply amid fears of another rise in interest rates. GUS led the way with a fall of 38 to 1043p, followed by Marks & Spencer, down 6 at 185p on turnover of nearly 6m shares, Ratners, down 9 at 226p, and Ward White, down 5 at 284p. Interest in the call options helped Storehouse gain 1 at 176p.

Paper group David S Smith bucked the wider market trend for the second day running. After Monday's 10-point rise, yesterday the shares added another 23 at 313p. Dealers could find no particular reason for the strength in Smith; the shares fell sharply after the poor results in mid-January, and some traders believe a realisation that the stock is cheap has prompted this week's gains.

The recent heavy activity continued in the top electronics. The near 10 per cent rally on the Hong Kong market gave a minor boost to Cable & Wireless — badly affected by the political unrest in China — with the shares finally 4 ahead at 549p after turnover of 10m.

British Telecom were again prominent, edging ahead to 274p, having been as high as 277p at one point, with Japan's Nomura Securities said to have been keen supporters of the shares ahead of the BT preliminary figures scheduled for June 1; Greenwell Montagu, the stockbroker, is forecasting pre-tax profits of £2.46bn against last time's £2.292bn.

The Racal duo were hit by renewed profit-taking, with Electronic sliding 14 to 483p on 7.6m and Telecom down 21 to 438p. GEC eased 4 to 244p on 8.9m.

Chloride were another casualty in the sector, the shares dipping 6 to 37p after the forecast of lower profits and expected cut in the dividend.

Newcomer Edencorp Leisure ended the day at 23p after being placed in the Third Market at 21p.

Food retailers were actively traded; Asda edged a touch higher to 170½p on turnover of 5.9m shares, Argyll closed steady at 203p on 2.8m, while Gateway also ended unchanged, at 200p as 2.8m changed hands. There is a growing feeling in the market that if Isosceles does not improve its existing 195p-a-share bid for Gateway to around 200p or 210p-a-share, a white knight would step in with a rival offer.

Budgens were also a feature, rising 6 to 112p on good demand. The shares have been in the doldrums since William Low withdrew unexpectedly withdrew its agreed offer for Budgens, but yesterday's recovery could have been sparked by hopes that someone else may take a look at the company in the near future, said traders. William Low finished a shade easier at 276p.

Yorkshire TV's 32 per cent profits improvement pleased the market and the stock climbed 6 to 311p.

A US trade magazine published a report that Saatchi and Saatchi was to be broken up. The resulting diverse bid rumours helped the stock add 7 at 319p on a turnover of 1.6m shares.

French buying of Eurotunnel was said to be the reason behind the stock's sustained rapid rise. The units closed 39 better at 987p. The warrants touched 78p before settling at 76½p an improvement of 4.

Coloroll posted full year profits more than doubled at £55.7m. But the market had more than discounted the jump and the stock slid 9 to 157p.

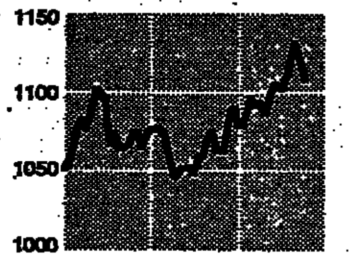
Further consideration of Vickers' disposal on Monday of its Howson Algraphy division helped the shares improve 3 to 217½p in busy early trading. They eased by the close to 216p. There were several suggestions of what Vickers might do with the cash raised. One dealer dismissed stories that VSEL might be a takeover target for Vickers, saying instead that there could be a joint venture in the US with Du Pont. Other ideas involved nameless takeover targets either in the medical or aerospace sectors.

British Aerospace held firm in the downwardly inclined market, touching 650p before closing a penny better on the day at 647p.

British Steel also held its ground, closing unchanged at what one marketmaker described as the resistance level of 90p.

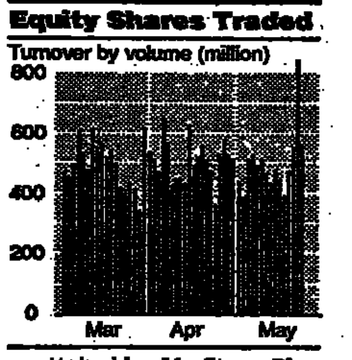
■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 30

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (125).
BRITISH FUNDS (1) LOANS (1) AMERICANS (42) BANKS (4) Guinness Mahon, Schroders, Do. NV, Sec. Pacific, BUILDINGS (4) Anglo Utd., Conder Grp., Douglas (R. M.), Shorco Grp., CHEMICALS (4) Chemoxy Int'l., Ellis & Everard, Hercules Inc., Leigh Ints. Spc Cv. Pf., STORES (3) Asprey, Dunhill, Tibbett & Britten, ELECTRICALS (6) Slick, Denmans Elect., Goring Kerr, Sec. Tag Systems, TDK, ENGINEERING (3) Bullough, Castings, Concentric, Manganese Bronze, TACE, FOODS (2) Food Inds., Gateway, HOTELS (2) Jurys Hotel, IoM Enterprises, INDUSTRIALS (15) Avis Europe, BTR Nylex, Bardon Grp., Cape Inds., Dover Corp., Eurotunnel Units, Fitzwilton, Grampian, Hunting Assoc., ISA Int'l., IWP Int'l., Mosaic Invs., Nu-Swift, TT Grp., Wyko Grp., INSURANCE (5) LEISURE (4) Airtours, European Leisure, Prism Leisure, Yorkshire TV, NEWSPAPERS (6) PAPERS (1) PROPERTY (2) Parkdale, Property Trust, SHIPPING (2) TRUSTS (6) OILS (4) OVERSEAS TRADERS (1) PLANTATIONS (3) THIRD MARKET (3).

NEW LOWS (66).
BRITISH FUNDS (8) CANADIANS (2) BANKS (2) Garrard & National, Hambros, BUILDINGS (8) CHEMICALS (1) STORES (4) Beattie (J.) "A", Colorvision, DAKS Simpson "A", Euro Home Prods., ELECTRICALS (3) INDUSTRIALS (8) Aaronson Bros., Highgate & Job, Kleen-E-Ze, MY Hldgs, Noble & Lund, Pergamon, Relyon, Willis Grp., INSURANCE (1) LEISURE (1) PAPERS (1) PROPERTY (4) TEXTILES (6) TRUSTS (4) OILS (2) Claremont (U.K.), LASMO "Ops", MINES (4).

APPOINTMENTS

Nomura makes changes

■ Mr Nobuo Nakazawa, president and managing director of NOMURA INTERNATIONAL, London, has succeeded Mr Hitoshi Tonomura as chairman. Mr Tonomura has returned to Tokyo as head of overseas operations. Sir Douglas Wass remains non-executive co-chairman of Nomura International. Mr Kochi Kane becomes president and managing director - he transfers from Nomura Securities International Inc, New York, where he was senior executive vice president. Mr John Howland Jackson becomes deputy president and managing director of Nomura International.

■ Mrs Jennifer Sculley has been made a director of AMBROSE INVESTMENT TRUST.

■ Mr Alan Guest has been appointed group financial director at the GRIFFON MACHINE TOOL GROUP.

■ ELGA, a subsidiary of the Elga Group, has made Mr Robert A. Croucher its finance director.

■ Professor Paul Marsh and Mr Roger Nightingale have been appointed non-executive directors of M&G INVESTMENT MANAGMENT.

■ GIROZENTRALE GILBERT ELIOTT, stockbroking subsidiary of Girozentrale, Vienna, has appointed as assistant divisional directors: Mr A.G. Crossland, Mr H.J. Ellis-Rees, Mr D.N. Holmes, Mr A.C.J. Parker, Mr R.J. Plumstead, Mr D.A.L. Skelton, Mr D. Smith, and Mr T.J. Tickler.

■ Mr James E. Smith has become group director, business development, at FRAZER-NASH. He was director of the technology division, where he is succeeded by Mr Rick McCann, formerly of Frazer-Nash Scientific.

■ AWD, Dunstable, military truck maker, has appointed Mr John Fletcher as military sales director. He was director of sales and marketing, GKN Defence.

■ Mr Malcolm Garrett has joined WAYLAND SYSTEMS, Gloucester, a Ryan International subsidiary, as managing director. He was director of international sales with Husky Computers.

■ HOUSE OF FABERGE has promoted Ms Julie Catherall from marketing manager to marketing director, and Mr Barry Webster from national sales manager to sales director.

■ Mr Hervé J. Matias has been appointed European sales director, flexible packaging division, LAWSON MARDON GROUP, and will be based at Senlis, near Paris. He was with DRG.

NatWest gains Treasury man

■ Sir Geoffrey Littler has been appointed a director of NATWEST INVESTMENT BANK. He will be involved in all aspects of the bank's activities, in particular the development of new business in the UK and overseas. Sir Geoffrey has exceptional connections in this area as he recently retired from the Treasury where he was second permanent secretary (overseas finance). He has chaired OECD and European Community committees.

■ VELOS-PERFOREX, Stockport, part of the Nobo Group, has appointed Mr Andrew Rycroft as financial controller. He was management accountant at Tri-ang Leisure.

■ Mrs Jenny Price, Mr John Ellwood and Mr Malcolm Park have been appointed directors of CAPITAL HOUSE MANAGMENT SERVICES.

■ NOTTINGHAM DEVELOPMENT ENTERPRISE has appointed Mr Malcolm Reece as chief executive from the end of July. He is project director for an inner city re-development scheme in Manchester.

■ SDS BANK, wholly-owned subsidiary of Sparekassen SDS of Denmark, has appointed Mr Jeffrey Bennett as director, banking. He was a Charterhouse Bank director.

Senior posts at the Halifax

■ HALIFAX BUILDING SOCIETY has appointed Mr Mike Fearnsides as managing director of Halifax Financial Services from June 1. He was general manager marketing. Mr Richard Barrow, formerly divisional manager systems development, becomes general manager business information systems from June 1. Mr Richard Spelman, formerly divisional manager marketing services, has been appointed general manager marketing from June 1.

■ BBA GROUP has appointed as non-executive directors Mr Robert Cooper, a director of Robert Fleming Holdings and head of UK corporate finance; and Mr Lionel Stammers, a non-executive director of BTR.

■ G.T. MANAGEMENT, part of the Bank in Liechtenstein group, has appointed Mr Peter Stevens as managing director of G.T. Management (UK) and chairman of The Bank in Liechtenstein (UK). He also takes the new role of deputy chief executive of G.T. Management. He was managing director of Chase Investment Bank.

■ Mr Fred Watt has been appointed group accountant and company secretary of WASSALL.

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

AUTHORISED UNIT TRUSTS

Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's

Abbey Unit Tst Mngrs (1000)H

Global Asset Management (1200)F
GAM Sterling Management Ltd
12 St James's Place, London SW1 01-493 9990

Legal & General —Contd.

Lloyds Bk Unit Tst Mgrs Ltd (1000)F
PO Box 63, Chatham, Kent ME4 4YB

Midland Unit Trusts Ltd—Contd.

Provident Mutual Unit Tst Mgrs Ltd (0905)H
25-31 Moorgate, London, EC2R 6BA. 01-588 3963

Prudential Holborn Unit Tsts Ltd (1445)H
51-69 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377

Smith & Williamson Unit Tst Mgrs (1000)F

Sovereign Unit Tst Mngrs Ltd (1000)F

Midland Personal Pension Unit Trust *					
British	6	57.69	58.91	62.03	-0.41 2.26
European Growth	6	53.90	54.01	57.46	+0.14 0.39
Gilt & Fixed	6	49.41	49.43	52.58	-0.1 8.63
Income	6	54.41	55.30	58.83	-0.36 3.50

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ✝ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ▲ - 1401 to 1700 hours; ♠ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
The most recent report and scheme particulars can be obtained free of charge from fund managers.
Other explanatory notes contained in last column of the FT Unit Trust Information pages.

حكمة امنه الأصل

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Comtbl & Equity	5	63.31	66.11xd	70.33	+0.43	6.83
European	5	63.01	63.75	67.82	-0.22	0.09
Far Eastern	5	59.98	61.52	65.45	-0.33	0.76
Growth Inc	5	89.11	92.54	98.45	-1.42	1.38
Growth Acc	5	89.11	92.54	98.45	-1.42	1.38
Income Inc	5	85.56	87.03	92.59	+0.62	5.28
Income Acc	5	85.56	87.03	92.59	+0.62	5.28
Property Share	5	55.61	55.61	59.26	-0.21	0.99
Smaller Co's	5	58.56	61.95xd	65.90	-0.42	1.47
Formerly RBC Trust Managers Ltd						
Nth American	5	61.35	61.35	65.60	+1.40	1.63
International	5	46.52	46.52	49.75	-0.07	1.44
Wright Seligman Fund Mngrs Ltd (1000)H						
11 Blomfield St, London EC2M 7AY 01-588 0592						
Growth	5	108.69	108.69	113.09	+0.36	5.27
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250						
Yorkshire General	5¼	64.48	66.95	71.22	-0.37	2.62
YUTM Un Eqty Inc Tst	5¼	60.87	62.97	66.99	-0.31	4.56
YUTM Intl Gwth Tst	5¼	49.71	49.71xd	53.15	+0.04	1.01

OTHER UK UNIT TRUSTS

INSURANCES

	Bid Price	Offer Price	+ or -	Yield Gross
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514				
Fixed Int. Dep. Acc.	259.7	273.4	+0.1	-
Equity Acc.	856.6	901.7	-3.6	-
Property Acc.	492.5	518.5	+3.0	-
Far East Acc.	209.1	220.2	+0.2	-
European Acc.	21.7	22.9	+0.1	-
Managed Acc.	675.1	710.7	-1.9	-
Managed Cap.	383.6	403.8	-1.1	-
O'seas Earnings Acc.	568.8	598.8	-6.8	-
Gilt Edged Acc.	312.6	329.1	-1.7	-
American Equity Acc.	457.8	481.9	-8.3	-
American Man. Acc.	212.6	223.8	-0.1	-
American Prop Acc.	148.3	156.2	-	-
Pen.F.I.Dep.Cap.	286.1	301.2	+0.1	-
Pen.F.I.Dep.Acc.	409.1	414.9	+0.2	-
Pen. Prop. Cap.	580.2	630.8	+7.7	-
Pen. Prop. Acc.	1095.2	1152.9	+14.6	-
Pen. Man. Cap.	827.9	871.5	-5.0	-
Pen. Man. Acc.	1562.3	1644.6	-9.2	-
Pen.GiltEdg.Cap.	315.4	332.0	-1.4	-
Pen. Gilt Edg. Acc.	486.2	511.8	-2.2	-
Pen. Eq. Cap.	1359.9	1432.5	-11.7	-
Pen. Eq. Acc.	1944.9	2047.3	-16.6	-
Pen. Am. Eq Cap.	153.4	161.5	+0.1	-
Pen. Am. Eq Acc.	184.8	194.6	+0.1	-
Pen. Far East Cap.	251.2	264.5	+2.2	-

	Bid Price	Offer Price	+ or -	Yield Gross
M & G Life and M & G Pensions—Contd.				
PPP Fund (Cap)	335.2	352.1	-2.3	-
PPP Fund (Acc)	509.3	534.9	-3.2	-
Pacific (Cap)	289.3	303.9	+8.4	-
Pacific (Acc)	439.6	461.6	+13.0	-
Property (Cap)	151.6	159.3	.....	-
Property (Acc)	230.3	242.0	+0.2	-
Recovery (Cap)	239.3	251.3	-1.3	-
Recovery (Acc)	363.5	381.8	-1.7	-
UK Income (Cap)	133.6	140.4	-1.6	-
UK Income (Acc)	203.0	213.2	-2.2	-
Personal Pension (Acc)		2063.4	-12.0	-
MGM Assurance(z)				

	Bid Price	Offer Price	+ or -	Yield Gross
NEL Britannia Assce Co Ltd—Contd.				
Barings Mgd P'folio	110.1	110.1	+0.1	-
Fidelity Mgd P'folio	111.0	111.0	----	-
GT Mgd P'folio	110.1	110.1	+0.1	-
Gartmore Mgd P'folio	113.0	113.0	----	-
Henderson Mgd P'folio	124.8	124.8	----	-
Mackenzie Mgd P'folio	117.6	117.6	----	-
Perpetual Mgd P'folio	116.9	116.9	-0.4	-
Royal Tst Mgd P'folio	113.6	113.6	+5.1	-
MIM Brit Exempt Tst.	118.5	118.5	-0.5	-
Equity Screening	107.0	107.0	-2.2	-
Shareholder				
Deposit	116.0	122.1	+0.1	-
Gilt	119.7	126.0	-0.2	-

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

Premium Life Assurance Co Ltd
37-39, Perrymount Road Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or -	Yield Gross
American	129 0	136 0		–
Building Soc. Fd	170 0	179 0		–
Balanced	283 0	298.0	-1 0	–
European	165 0	174 0		–
GT Managed	175 0	185.0	+1 0	–
Gartmore Mngd.	116 0	121.0	-1.0	–
German	113 0	119.0		–
Gilt	180 0	190 0	-1 0	–
Global	48 0	51 0		–
High Inc	122.0	129 0		–
International Equity	191.0	202 0	-1 0	–
Japan	241.0	254 0	-1 0	–
Managed	64 0	68 0		–
Property	279 0	294 0		–
P. W. Imperial Gold	143 0	151.0		–
UK Equity	380 0	400 0	-3.0	–
Pension Funds				
American	153 0	162 0		–
Building Soc. Fd	170 0	179.0		–
Balanced	219 0	231 0		–
European	161 0	170 0		–
German	102.0	108 0		–
Gilt	155.0	164.0		–
International Equity.	141 0	149 0		–
Japan	138 0	146.0		–
Managed	64.0	68 0	-1.0	–
Property	215 0	227 0		–
UK Equity	341 0	359 0	-2 0	–

Prolific Life & Pensions Ltd
Stramongate, Kendall, Cumbria LA9 4BE 0539 33733

Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or -	Yield Gross
Balanced Gwth Mngd	599 6	631.9		–
Adventurous Mngd.	128 3	135.3		–
Secure Mngd	108 5	114.4		–
Cash Fd	231 9	244 4		–
Property Fund	285.1	303.3		–
Equity Fund	671.4	714.3		–
Fxd. Int. Fund	293.3	312.1		–
International	304 1	323 6		–
High Income	479 4	510 0		–
Far East	442.1	465.9		–
North American	282.8	298 1		–
Special Sits	623 1	662.9		–
Technology	259 8	276.4		–
Extra Inc Fd	286 8	305.2		–
Convertible & Gilt Fd	150 0	159 6		–
American Income	131 4	139.8		–
Gilt Fund 20	298 8	317.9		–

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

	Bid Price	Offer Price	+ or -	Yield Gross
Discretionary May 3	£152.21	157 48		–
Equity May 3	£166.89	172 95		–
International May 3	£25 14	25 88		–
Intl Bond May 3	£11.71	11.86		–
Fixed Int May 3	£72.15	73 12		–
Index Linked May 3	£60.62	61.38		–
Property May 3	£107 52	113.98		–
Cash May 3	£20 6364	20.6364		–
Pre-Linked Retirement Plan				
Managed May 9	378.1	393 9		–
Cash May 9	194.1	202.2		–
Prudential Pensions Investment Account				
Pens Mngd May 23	158 0	166.4	-0.6	–
Pens UK Eq May 23	306.8	323 0	-4 7	–
Pens Intl May 23	185.3	195 1	+0.3	–
Pens Fixed May 23	164.7	173 4	-1 0	–
Pens Index Lk May 23	155.1	163.3	-0.8	–
Pens Cash May 23	126 9	133.6		–

Regency Life Assurance Co Ltd
Regency Hse, Lanark Sq, London E14 9XS 01-538 8800

	Bid Price	Offer Price	+ or -	Yield Gross
Aggressive Ptflio Fd	119.3	125.5	-0 9	–
Balanced Ptflio Fd	313 6	330 0	-2.2	–
Cautious Ptflio Fd	121.6	127.9	-0.4	–
Elite Fund	108.5	114.2	-1.8	–
European Fund	81.8	86 0	+0.4	–
Far East Fund	109 5	115.2	-1.2	–
Fixed Interest Fund	242.2	254 9	+0.1	–
International Fund	264 4	278.3	+0.7	–
Money Fund	175 8	185.0		–
N. American Fd.	119.3	125 5	+0.7	–
Property Fund	418 6	440 6	-2.7	–
UK Equity Fd	384 8	405.0	-4.7	–
A.I.M. Brewin Dlphn Fd.	94.1	99.1	-1.0	–
Swim Select Invs.	110 1	115 9	-0.3	–
Chart Safety First Bd.	108.9	114 6	-0 4	–
Exec Master Fd.	97.1	102.2	+1.2	–
Hardwick Growth Fd	109 4	115 2		–
Bentley Haig LR Port.	101 4	106 7		–
Milbourne Spec Port.	113.9	119 9		–
Saim Global Fd.	111.6	117.5		–
Hardwick Tst Fd.	72 0	75 8		–

All funds have equivalent pension fund. Series 2 prices above. Others available from Regency Life.

Reliance Mutual
Reliance House, Tunbridge Wells, Kent 0892 510033

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

FT UNIT TRUST INFORMATION SERVICE

ISLE OF MAN (**)

LUXEMBOURG (**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
89½	86½	NZ 7¼pc 1988–92	88	.....	8.24	11.90
206	206	S Rhod 2½pc Non-Asstd.	206	.....	–	–
84½	84½	Do. 4½pc 87–92 Asstd.	84½xd	.....	5.33	9.33

LOANS

Building Societies

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
99⅞	98	N'wide Anglia 8¼pc 30.5.89	99	−1/16	8.95	13.41
99	98	Do. 9pc 26.6.89	99	+	9.65	13.26
99	98	Do. 10pc 17.7.89	99	+	10.73	13.27
99	98	Do. 11pc 7.8.89	99½	+	11.12	13.33
99	98	Do. 11pc 29.8.89	99½	+	11.62	13.31
99	99	Do. 12pc 18.9.89	99	+	12.43	13.31
99	99	Do. 12pc 2.10.89	99½	+	12.37	13.37
99	98	Do. 11pc 6.11.89	99xd	+	11.90	13.35
100	99	Do. 12pc 4.12.89	99	+	12.38	13.37
100	99	Do. 12pc 2.1.90	99	−	12.87	13.47
100	99	Do. 12pc 29.1.90	99	−	12.65	13.46
100	99	Do. 12pc 26.2.90	99	.....	12.77	13.43
102¼	99¼	Do. 3pc IL Ln 2021	101xd	.....	4.38	4.45

Public Board and Ind.

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
99	95	Agric. Mt. 5pc '59–89	99	.....	5.05	–
47	45	Met. Wtr. 3pc 'B'	46xd	.....	6.52	10.41

FOREIGN BONDS & RAILS

1989 High	Low	Stock	Price £	+ or −	Div % Gross	Red. Yield
45	40	Greek 7pc Ass.	48	.....	3.50	18.75
45	40	Do. 6pc 28 Stb. Ass.	40xd	.....	3	17.50
45	40	Do 4pc Mixed Ass.	40xd	.....	2	15.00
80	65	Hung. '24 Ass.	80	.....	2.75	13.57
139	132½	Hydro Quebec 15pc 2011.	132	+	15.00	10.99
128	122	Iceland 14½pc Ln 2016	123½xd	+	14.50	11.66
97¼	94	Ireland 9¾pc '91–96	94½xd	.....	9.75	10.85

AMERICANS

1989 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
37⅝	26¼	Abbott Laboratories	37xd	+	$1.20	–	2.0

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

AMERICANS—Contd

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Contd

ELECTRICALS

ENGINEERING

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd.

INSURANCES

هكذا من الأصل

هكذا من الأصل

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

INSURANCES—Contd

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

For Oil Group see Recent Issues

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

MINES—Contd

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]								
°3¼	1¾	Swanyard Studios 1p y	3	.....	–	–	–	◆
85	28	Tomorrow Leisure 20p y	78	–3	–	–	–	38.8
19	11	Tallow Oil 10p ..... y	15	....	–	–	–	–
113	98	UPL Group 10p . . y	98xd	.. .	2.75	◆	3.7	◆
147	135	Unit Group . ..... y	138	...	F7.5	2.9	7.2	7.8
14	5	Vista Ents 5p ..... y	12	.....	–	–	–	–
40	37	Vizcaya Hldgs 5p . y	38	.... .	–	–	–	–
35½	23	Whitegate Leisure 20p. y	33	+½	–	–	–	–
20½	10	Do Wrrnts .... y	20	–½	–	–	–	–
9¼	5	Wilton Group 1p... y	8¼	+¼	–	–	–	–

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend, xc ex scrip issue, xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p . y	100	......
Craig & Rose £1.. y	720	......
Finlay Pkg. 5p.... y	88xd	......
Holt (Jos) 25p..... y	1313	......

IRISH

Cap 8½% Ln 1991 .	£98	......
9pc Cap Ln. 1996 .	£97¼	..... .
Fin. 13% 97/02...	£118	......

Arnotts.	444½xd	......
Carrol (P J).. .... y	155	. ....
Hall (R. & H).	160	+3
Heiton Hldgs ..... y	78	......
Irish Ropes	195xd	......
United Drug.........	140	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

Industrials	p
Allied-Lyons.............	40
Amstrad....................	18
BAT...	40
BOC Grp..................	36
BSR	7½
BTR	26
Barclays.............	34
Beecham	40
Blue Circle...............	39
Boots...	20
Bowaters.......	38
Brit Aerospace....	42
Brit. Telecom............	21
Burton Ord..............	18
Cadburys..................	31
Charter Cons....	45
Comm Union..............	28
Courtaulds....	26
FKI Babcock....	13
FNFC....................	21
Gen Accident	71
GEC..	15
Glaxo..	90
Grand Met	38
GUS 'A'.....................	90
Guardian.........	16
GKN.............	28
Hanson	12
Hawker Sidd...............	48
ICI	85
Jaguar.	22
Ladbroke	38
Legal & Gen	26
Lex Service.........	34
Lloyds Bank	29
Lucas Inds.	48
Marks & Spencer	15
Midland Bk	35
Morgan Grenfell	28
NEI.	12
Nat West Bk	45
P & O Dfd.	48
Plessey	15
Polly Peck...................	28
Racal Elect.	25
RHM	32
Rank Org Ord.......... ...	63
Reed Intnl	38
STC	24
Sears.........................	13
TI...	32
TSB...............	9
Tesco	12
Thorn EMI..................	55
Trust Houses....	24
T&N......	16
Unilever	42
Vickers	15
Wellcome....	42

Property

Brit Land.....	30
Land Securities	52
MEPC.	50

Oils

Brit Petroleum	21
Do Int Certs	12
Burmah Oil.........	48
Calor	35
Charterhall	2½
Premier	9
Shell.	85
Ultramar........	21

Mines

Cons Gold	100
Lonrho	38
RTZ	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £985 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Thatcher comments hit pound

STERLING CAME under the spotlight as the foreign exchange market turned away from the strong dollar yesterday. The market saw the Bank of England intervene twice to support the pound in the afternoon, but this failed to prevent a fall to the lowest level for nearly two years.

The pound had looked vulnerable for some time if the market paused in its headlong rush to drive the dollar higher, and particularly if this was accompanied by a narrowing of London's interest rate advantage over financial centres such as Frankfurt and Tokyo.

Mrs Margaret Thatcher, the Prime Minister, could not have had a weakening of sterling in mind when she told the House of Commons that the Government's high interest rate policies would get inflation down.

The pound has been reasonably steady since last Friday's disappointing news that year-on-year inflation rose to 8 per cent in April. City economists are now doubtful whether inflation has peaked and believe 8.5 per cent could be touched around the middle of the year.

Mrs Thatcher's comments were interpreted as underlining her reluctance to allow bank base rates to rise above 13 per cent and this resulted in a fall in the value of sterling, against the background of speculation about higher rates in West Germany and Japan.

The pound fell 1.30 cents to $1.5675, the lowest closing level against the dollar since August 1987. It also declined to DM3.1475 from DM3.1775, the weakest since last November. Sterling weakened to Y222.50 from Y224.50; to SFr2.8025 from SFr2.8350; and to FFr10.6600 from FFr10.7525.

On Bank of England figures the pound's exchange rate index fell 0.4 to 93.3, the lowest since the index was rebased at the beginning of the year.

Sterling weakened as speculation increased that the West German Bundesbank will tighten its monetary policy and that the Bank of Japan will soon increase its discount rate. A senior official at the Japanese Finance Ministry was reported as saying the Bank of Japan was likely to raise its discount rate by 0.75 per cent to 3.25 per cent by the end of this month, depending on the situation in the currency market.

The US Federal Reserve intervened to sell the dollar at DM1.9975 and Y141.35, trying to take advantage of the dollar's temporary fall below DM2.00, but it failed to keep the downward momentum rolling. Earlier in the day the Bank of Japan sold about $350m, but the dollar's slightly easier tone was mainly the result of profit taking and technical adjustment of long positions.

A much larger than forecast rise of 2.9 per cent in April US durable goods orders dampened speculation about an easing of the Feds monetary policy, but had little impact on the dollar. The US currency fell to DM2.0085 from DM2.0095; to Y141.95 from Y142.05; to SFr1.7875 from SFr1.7850; and to FFr6.8000 from FFr6.8025. The dollar's index fell to 72.2 from 72.4.

£ IN NEW YORK

May.23	Latest	Previous Close
£ Spot	1.5815-1.5825	1.5805-1.5815
1 month	0.45-0.44pm	0.43-0.42pm
3 months	1.46-1.44pm	1.37-1.35pm
12 months	5.52-5.42pm	5.10-5.00pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	May.23	Previous
8.30 am	93.7	94.0
9.00 am	93.7	93.9
10.00 am	93.5	93.7
11.00 am	93.6	93.6
Noon	93.5	93.6
1.00 pm	93.6	93.6
2.00 pm	93.5	93.7
3.00 pm	93.5	93.8
4.00 pm	93.3	93.7

CURRENCY RATES

May.23	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.786315	0.656525
U.S Dollar	7	1.23939	1.03882
Canadian $	12.39	N/A	1.24347
Austrian Sch.	5	17.5436	14.6536
Belgian Franc	7.75	52.2000	43.5733
Danish Krone	7½	9.71124	8.10539
Deutsche Mark	4.50	2.49576	2.08127
Neth.Guilder	5.50	2.81094	2.34755
French Franc	9½	8.44210	7.04995
Italian Lira	13½	1810.00	1509.15
Japanese Yen	2½	173.019	146.941
Norway Krone	8	8.98186	7.48521
Spanish Peseta	-	155.667	129.967
Swedish Krona	9½	N/A	6.99645
Swiss Franc	4.5	2.22842	1.85170
Greek Drach.	20½	N/A	176.745
Irish Punt	-	N/A	0.778084

*All SDR rates are for May.22

CURRENCY MOVEMENTS

May.23	Bank of England Index	Morgan** Guaranty Changes %
Sterling	93.3	-17.4
U.S Dollar	72.2	-5.2
Canadian Dollar	103.8	+0.3
Austrian Schilling	106.2	+9.6
Belgian Franc	105.3	-6.6
Danish Krone	102.1	-2.7
Deutsche Mark	111.8	+19.6
Swiss Franc	102.8	+11.4
Guilder	109.4	+12.5
French Franc	98.5	-15.9
Lira	97.9	-19.7
Yen	142.2	+71.9

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for May.22.

OTHER CURRENCIES

May.23	£	$
Argentina	[illegible]	[illegible]
Australia	[illegible]	[illegible]
Brazil	[illegible]	[illegible]
Finland	[illegible]	[illegible]
Greece	[illegible]	[illegible]
Hong Kong	[illegible]	[illegible]
Iran	[illegible]	[illegible]
Korea(Sth)	[illegible]	[illegible]
Kuwait	[illegible]	[illegible]
Luxembourg	[illegible]	[illegible]
Malaysia	[illegible]	[illegible]
Mexico	[illegible]	[illegible]
N. Zealand	[illegible]	[illegible]
Saudi Ar.	[illegible]	[illegible]
Singapore	[illegible]	[illegible]
S. Af (Cm)	[illegible]	[illegible]
S. Af (Fn)	[illegible]	[illegible]
Taiwan	[illegible]	[illegible]
U.A.E.	[illegible]	[illegible]

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu May.23	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.5733	+2.63	+0.96	±1.5344
Danish Krone	7.85212	8.10539	+3.23	+1.56	±1.5404
German D-Mark	2.05853	2.08127	+1.10	-0.57	±1.0981
French Franc	6.90403	7.04995	+2.11	+0.44	±1.3674
Dutch Guilder	2.31943	2.34555	+1.13	-0.54	±1.5012
Irish Punt	0.768411	0.778084	+1.26	-0.41	±1.6684
Italian Lira	1483.58	1509.15	+1.72	+0.75	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

May.23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5670 - 1.5850	1.5670 - 1.5680	0.44-0.41cpm	3.25	1.48-1.43pm	3.71
Canada	1.8745 - 1.8810	1.8770 - 1.8780	0.07-0.03cpm	0.23	0.58-0.42pm	0.36
Netherlands	3.54½ - 3.57¼	3.54¼ - 3.55¼	1½-1⅜cpm	5.50	5-4⅞pm	5.23
Belgium	65.80 - 66.45	65.80 - 65.90	28-23cpm	4.65	79-72pm	4.59
Denmark	12.23½ - 12.26¼	12.24½ - 12.25½	4½-3¼orepm	3.55	11¼-10½pm	3.27
Ireland	1.1775 - 1.1890	1.1795 - 1.1805	0.45-0.40cpm	4.32	1.10-1.00pm	3.56
W. Germany	3.14½ - 3.17¼	3.14½ - 3.15	1⅝-1½pfpm	5.96	4¾-4⅝pm	5.96
Portugal	259.00 - 261.50	259.20 - 260.20	28-76cdis	-2.46	62-175dis	-1.97
Spain	195.90 - 196.60	196.15 - 196.45	2-12cdis	-0.62	17-41dis	-0.73
Italy	2280½ - 2299	2281 - 2282	11-3lirepm	0.37	6-4pm	0.88
Norway	11.29¾ - 11.33½	11.30½ - 11.31½	2¼-1⅛orepm	1.64	6⅞-5½pm	1.81
France	10.65¼ - 10.74¾	10.65½ - 10.66½	3¾-3½cpm	4.08	11½-11pm	4.22
Sweden	10.51¼ - 10.54	10.52¾ - 10.53¾	1¾-1¼orepm	1.49	5½-4¾pm	1.09
Japan	222 - 224¼	222 - 223	1½-1⅜ypm	8.76	4-4¼pm	7.42
Austria	22.12 - 22.19	22.13 - 22.16	11½-10½gropm	5.08	32¼-29½pm	5.15
Switzerland	2.80 - 2.82¼	2.79¾ - 2.80¾	1¼-1⅛cpm	5.08	3⅞-3⅝pm	5.35

Belgian rate is convertible francs. Financial franc 65.85-65.95 . Six-month forward dollar 3.05-3.00cpm 12 months 5.60-5.50cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

May.23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5670 - 1.5850	1.5670 - 1.5680	0.44-0.41cpm	3.25	1.48-1.43pm	3.71
Ireland†	1.3300 - 1.3375	1.3310 - 1.3320	0.17-0.22cdis	-1.75	0.15-0.25dis	-0.60
Canada	1.1960 - 1.2015	1.1975 - 1.1985	0.29-0.33cdis	-3.11	0.74-0.80dis	-2.57
Netherlands	2.2475 - 2.2675	2.2625 - 2.2635	0.45-0.42cpm	2.31	1.10-1.06pm	1.91
Belgium	41.75 - 42.12	41.95 - 42.05	5.50-4.00cpm	1.36	11.50-8.50pm	0.95
Denmark	7.78¾ - 7.84½	7.81¼ - 7.81¾	0.60-0.35orepm	0.73	0.70-0.35pm	0.27
W. Germany	1.9930 - 2.0155	2.0080 - 2.0090	0.45-0.42pfpm	2.60	1.16-1.11pm	2.26
Portugal	165.25 - 165.65	165.45 - 165.55	60-90cdis	-5.44	200-280dis	-5.80
Spain	124.50 - 125.55	125.20 - 125.30	36-46cdis	-3.93	125-135dis	-4.16
Italy	1448 - 1457	1455¼ - 1455¾	3.40-3.90liredis	-3.02	9.50-10.20dis	-2.71
Norway	7.18½ - 7.23	7.21¼ - 7.21¾	0.72-0.97oredis	-1.41	2.65-2.95dis	-1.55
France	6.75¾ - 6.82	6.79¾ - 6.80¼	0.50-0.45cpm	0.84	0.90-0.80pm	0.50
Sweden	6.71¾ - 6.76¼	6.71¾ - 6.72¼	0.84-0.99oredis	-1.63	2.75-2.95dis	-1.69
Japan	140.70 - 142.55	141.90 - 142.00	0.55-0.53ypm	4.58	1.47-1.44pm	4.11
Austria	14.08¼ - 14.16½	14.09½ - 14.10	2.90-2.50gropm	2.30	7.60-6.35pm	1.98
Switzerland	1.7750 - 1.7960	1.7870 - 1.7880	6.29-0.26cpm	1.85	0.75-0.71pm	1.64

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 42.00-42.10.

EURO-CURRENCY INTEREST RATES

May.23	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	11⅞-11⅞	12¼-12	12⅞-12¾	13¼-13⅛	13⅜-13¼	13⅜-13¼
US Dollar	9⅞-9¾	9⅞-9¾	9⅞-9¾	9⅞-9¾	9½-9⅜	9½-9⅜
Can. Dollar	12⅝-12⅛	12⅝-12⅛	12¼-12	12¼-12	11¾-11½	11½-11¼
D. Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lire	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Fin)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Con.)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years [illegible] per cent; three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

May.23	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	[illegible]	[illegible]	[illegible]	[illegible]	10.	2.629	3.327	2140	1.761	61.77
S Fr.	[illegible]	[illegible]	[illegible]	[illegible]	3.804	1	1.266	814.1	0.670	23.50
H Fl.	[illegible]	[illegible]	[illegible]	[illegible]	3.005	0.790	1	643.1	0.529	18.56
Lira	[illegible]	[illegible]	[illegible]	[illegible]	4.673	1.228	1.555	1000.	0.823	28.87
C $	[illegible]	[illegible]	[illegible]	[illegible]	5.679	1.493	1.890	1215	1	35.08
B Fr.	[illegible]	[illegible]	[illegible]	[illegible]	16.19	4.255	5.386	3464	2.850	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Prices lower as sterling slips

SHORT STERLING futures lost ground in extremely busy Liffe trading yesterday. The September contract recorded over 36,000 lots traded while the June position saw over 14,000 lots change hands.

Values were marked up at the start as sterling showed early signs of stabilising after its sharp fall on Monday. However, a late fall in sterling's value and a rise in cash rates encouraged investors to reduce their exposure in the futures market. The September price opened at 86.88 and rose to a high of 86.93 before sliding away to close at 86.73, down from 86.79 on Monday.

US Treasury bonds finished on a slightly weaker note at 92-26 for June delivery against 93-01 previously. A rise in US durable goods orders in April and a move by the US Federal Reserve to drain funds from the money market pushed cash rates slightly firmer.

West German Government bonds opened on a strong note and continued to improve, finishing close to the day's high. The June price rose to 93-07 from 92-85 at the opening and 92-59 on Monday.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
91	314	420	0	8
92	214	328	0	16
93	114	240	0	28
94	14	157	0	45
95	0	118	50	106
96	0	55	150	143
97	0	33	250	221

Estimated volume total, Calls 315 Puts 1439
Previous day's open int. Calls 31654 Puts 25450

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
86	656	700	14	32
88	506	526	28	58
90	333	401	55	133
92	211	255	133	223
94	115	161	237	329
96	40	117	362	449
98	19	50	541	618

Estimated volume total, Calls 270 Puts 377
Previous day's open int. Calls 1477 Puts 1120

LIFFE BUND FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
9150	157	153	0	33
9200	107	118	0	48
9250	57	87	0	67
9300	7	64	0	94
9350	0	43	43	123
9400	0	29	93	159
9450	0	19	143	199

Estimated volume total, Calls 1117 Puts 460
Previous day's open int. Calls 10575 Puts 9390

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls-settlements Jun	Calls-settlements Jul	Puts-settlements Jun	Puts-settlements Jul
140	—	—	—	—
145	—	—	—	—
150	730	730	17	66
155	311	365	116	215
160	85	146	390	496
165	13	45	818	895
170	1	10	1306	1360

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 200 Puts 1600

LIFFE EURODOLLAR OPTIONS
£1m points of 100%

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
9000	66	105	1	10
9025	43	85	3	15
9050	24	67	9	22
9075	10	51	20	31
9100	3	38	38	43
9125	2	27	62	57
9150	1	18	86	73

Estimated volume total, Calls 681 Puts 61
Previous day's open int. Calls 3777 Puts 5025

LIFFE SHORT STERLING

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
8600	60	96	7	23
8625	42	79	14	31
8650	27	64	24	41
8675	14	48	36	50
8700	6	38	53	65
8725	3	27	75	79
8750	2	20	99	97

Estimated volume total, Calls 2098 Puts 4503
Previous day's open int. Calls 27023 Puts 26823

PHILADELPHIA SE £/$ OPTIONS
£31,250 (cents per £1)

Strike Price	Calls Jun	Calls Jul	Calls Aug	Calls Sep	Puts Jun	Puts Jul	Puts Aug	Puts Sep
1.550	3.83	4.27	4.64	5.02	0.89	1.73	2.36	3.20
1.575	2.23	2.81	3.25	3.69	1.80	2.70	3.52	4.42
1.600	1.20	1.85	2.20	2.70	3.21	4.14	4.97	5.89
1.625	0.45	1.10	1.52	1.90	5.06	5.88	6.66	7.55
1.650	0.20	0.65	0.95	1.30	7.19	7.85	8.56	9.40
1.675	0.03	0.29	0.55	0.82	9.51	10.01	10.62	11.39
1.700	0.05	0.11	0.29	0.52	11.91	12.30	12.82	13.51

Previous day's open int: Calls N/A Puts N/A (All currencies)
Previous day's volume: Calls N/A Puts N/A (All currencies)

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Jun	94-07	94-26	94-06	94-22
Sep	95-06	95-23	95-11	95-19

Estimated Volume 20280 (17782)
Previous day's open int. 27158 (26890)

7-10 YEAR 9% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Jun	91-16			92-08
Sep				

Estimated Volume 0 (0)
Previous day's open int. 165 (165)

US TREASURY BONDS 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
Jun	92-26	93-23	92-20	93-01
Sep	92-21	93-11	92-18	92-28
Dec	92-16	93-00	93-00	93-00

Estimated Volume 10580 (16281)
Previous day's open int. 10980 (7874)

6% NOTIONAL GERMAN GOVT. BOND
DM 250,000 100ths of 100%

	Close	High	Low	Prev.
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

Estimated Volume 25607 (23456)
Previous day's open int. 46363 (46022)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

	Close	High	Low	Prev.
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]

Estimated Volume 490 (772)
Previous day's open int. 1051 (958)

THREE MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev.
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]

Est. Vol. (inc. figs. not shown) 55091 (59647)
Previous day's open int. 82949 (82277)

THREE MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev.
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]

Est. Vol. (inc. figs. not shown) 14365 (18444)
Previous day's open int. 66435 (65587)

THREE MONTH EUROMARK
DM 1m points of 100%

	Close	High	Low	Prev.
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]

Estimated Volume 4735 (6191)
Previous day's open int. 13861 (13233)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]

Estimated Volume 4122 (6150)
Previous day's open int. 22050 (22022)

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5675	1.5633	1.5584	1.5373	1.5120

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Jun	1.5778	1.5806	1.5728	1.5728
Sep	1.5622	1.5660	1.5590	1.5582
Dec	1.5500	1.5500	1.5486	1.5458

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
Jun	92-24	93-15	92-22	93-05
Sep	92-19	93-09	92-18	93-00
Dec	92-15	93-04	92-14	92-28
Mar	92-10	92-28	92-10	92-23
Jun	92-05	92-22	92-05	92-18
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev.
Jun	0.7088	0.7097	0.7079	0.7070
Sep	0.7159	0.7170	0.7148	0.7143
Dec	0.7225	0.7225	0.7220	0.7213
Mar	0.7285	0.7285	-	0.7280

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Latest	High	Low	Prev.
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

EUROPEAN OPTIONS EXCHANGE

Series		Aug. 89 Vol	Aug. 89 Last	Nov. 89 Vol	Nov. 89 Last	Feb. 90 Vol	Feb. 90 Last	Stock
Gold C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Series		Jun. 89 Vol	Jun. 89 Last	Jul. 89 Vol	Jul. 89 Last	Aug. 89 Vol	Aug. 89 Last	Stock
EOE Index C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EOE Index P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$/Fl C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$/Fl P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Series		Jul. 89 Vol	Jul. 89 Last	Oct. 89 Vol	Oct. 89 Last	Jan. 90 Vol	Jan. 90 Last	Stock
ABN C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ABN P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aegon C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ahold C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ahold P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Akzo C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Akzo P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amev C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amev P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amro P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BUHRMANN-T P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
N.V. DSM C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
N.V. DSM P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gist-Broc. C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gist-Broc. P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Heineken P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hoogovens C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hoogovens P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
KLM C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
KLM P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
KNP C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
KNP P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NEDLLOYD P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nat.Ned. C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nat.Ned. P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Philips C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Philips P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Royal Dutch C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Royal Dutch P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Unilever C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Unilever P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Van Ommeren C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Van Ommeren P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS : 33,761
A=Ask B=Bid C=Call P=Put

MONEY MARKETS

Further rise in rates

A LATE fall in the value of sterling pushed interest rates firmer in London yesterday. Three-month interbank money moved up to 13¾-13⅝ per cent from 13⅝-13½ per cent.

The pound's fall increased speculation about a rise in clearing bank base rates from the current level of 13 per cent.

UK clearing bank base lending rate 13 per cent from November 25

Upward pressure is likely to persist ahead of the release of UK April trade figures tomorrow.

Uncertainty in the market was shown clearly by the yield curve between one-month and 12-month money. Until yesterday afternoon, rates peaked at the six-month level, indicating that base rates are expected to decline, but certainly not in the short-term. However, the yield structure at the close of business yesterday was flat from three-months out to one-year money, indicating that the market no longer feels confident about the authorities' ability to avoid a further rise in base rates.

The Bank of England forecast a flat liquidity position. Factors affecting the market included bills maturing in official hands and a take up of Treasury bills draining £180m. These were offset by Exchequer transactions which added £80m and banks' balances brought forward £105m above target. In addition, there was a nominal fall in the note circulation of £5m. There was no intervention by the Bank during the morning or afternoon.

In Frankfurt, the Bundesbank announced its intention to hold a sale and repurchase agreement with no minimum fixed bid rate. The 28-day facility will be allotted to successful applicants today, coinciding with a maturing agreement which will drain DM6.2bn from the system.

The last repurchase tender, held on May 17, resulted in successful bids between 6.35 per cent and 6.80 per cent. A majority of the allocations were at the lower end.

The minimum accepted rate of discount is expected to rise from 6.35 per cent but is not expected to break through the 6.5 per cent Lombard rate.

Meanwhile, commercial banks holding of reserves with the central bank fell sharply to DM49.8bn on the latest figures for May up to last Friday, compared with DM59.7bn on Thursday, reflecting a drain of funds to meet tax payments. Official reserve requirements for the month were fixed yesterday at DM55.4bn, up from DM54.9 in April, and tighter than many analysts had expected.

In Brussels, the Belgian National Bank increased the rate on four-month bond paper to 8.50 per cent from 8.30 per cent. However, rates on one, two and three-month bills were left unchanged.

FT LONDON INTERBANK FIXING

(11.00 a.m. May.23) 3 months US dollars		6 months US Dollars	
bid 9¼	offer 9⅜	bid 9¼	offer 9⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Lunchtime

Prime rate	11½
Broker loan rate	10½-¾
Fed. funds	9⅞
Fed. funds at intervention	-

Treasury Bills and Bonds

One month	8.36	Three year	8.78
Two month	8.60	Four year	8.75
Three month	8.57	Five year	8.73
Six month	8.79	Seven year	8.66
One year	8.78	10-year	8.61
Two year	8.85	30-year	8.62

May.23	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	6.15-6.25	6¼-6⅞	6⅞-7	7-7⅛	7⅛-7¼	6.50
Paris	8⅞-8⅞	8⅞-8⅞	8¾-8⅞	8⅞-8⅞	8⅞-9	7.25
Zurich	6⅞-7⅛	7½-7⅝	-	7⅛-7⅜	-	-
Amsterdam	6.37-6.50	7.07-7.17	-	7.26-7.36	-	-
Tokyo	4⅜-4⅞	5⅜-5⅞	-	5⅜-5⅞	-	-
Milan	12⅛-12½	12⅛-12⅝	-	12¼-12⅝	-	-
Brussels	9.00	8⅞-8⅛	-	8⅞-8⅞	-	-
Dublin	7-7⅛	7⅛-8	9-9¼	9¼-9½	9⅝-9⅞	-

LONDON MONEY RATES

May.23	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	12¼	12⅞	12⅞	13⅛	13⅜	13⅜
Interbank Bid	6	12	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	11⅞	12⅛	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deps.	12	12	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep Offer	-	-	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep Bid	-	-	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep Offer	-	-	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep Bid	-	-	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month [illegible] per cent; three months [illegible] per cent; Bank Bills (sell): one-month [illegible] per cent; three months [illegible] per cent; Treasury Bills: Average tender rate of discount 12.4110 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day April 28, 1989. Agreed rates for period May 24, 1989 to June 25, 1989, Scheme I: 13.96 p.c. Scheme II & III: 14.43 p.c. Reference rate for period April 1 to April 28, 1989, Scheme IV&V: 13.209 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 13½ from May 1, 1989. Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 9½ per cent; one-three months 11 per cent; three-six months 11 per cent; six-nine months 11 per cent; nine-twelve months 11 per cent; Under £100,000 9½ per cent from December 1, 1988. Deposits withdrawn for cash 5 per cent.

BASE LENDING RATES

ABN Bank	13	[illegible]	13	[illegible]	13
Adam & Company	13	[illegible]	13	[illegible]	13
AAB - Allied Arab Bk	13	[illegible]	13	[illegible]	13
Allied Irish Bank	13	[illegible]	13	[illegible]	13
● Henry Ansbacher	13	[illegible]	13	[illegible]	13
ANZ Banking Group	13	[illegible]	13	[illegible]	13
Associates Cap Corp	13	[illegible]	13	[illegible]	13
Authority Bank	13	[illegible]	13	[illegible]	13
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

JOTTER PAD

CROSSWORD

No.6,942 Set by DOGBERRY

ACROSS

1 Doesn't he take work seriously? (6,8)
10 Drop in the gutter (5)
11 Doubtful origins of Reverend Desmond Tutu, one having learned little (9)
12 One has a drink when sending back warriors .... (7)
13 ..... in their finery, knocking back excellent drink (7)
14 An involuntary movement of merry-making (5)
16 Third party's unique fish dish (5,4)
19 "Big Fish has holiday in France": part of film (6,3)
20 Not so much love in the dust (5)
22 Trouble returning tailless beast to traveller (7)
25 Lines on river about to run warm (7)
27 Many find studies a worry, inducing torpor (9)
28 Jealous innocent (5)
29, 24 Fellow deck-sweeper to generalise from a specific example (3,4,3,4,5)

DOWN

2 Gold name round the fruit machine (9)
3 Stateswoman's guide? (5)
4 A rule I broke taking shelter from Rosie's drinking-partner (6,3)
5 Outstare Daisy (5)
6 Sort of form to be on at a clog-dance (9)
7 Country or old town in central Australasia (5)
8 Charge round, help up and give out (7)
9 Mountain-climbing journalist in port (6)
15 Little angel at home to composer (9)
17 "Chequered Kilt": theme by the Original Gnashers (4,5)
18 Defeat finished Western control-point (9)
19 "A Family at War": apt clue? (7)
21 Saw gas rising round Buddhist concept (6)
23 Soldiers and teacher get up and so does he (5)
24 See 29
26 Watchman in sugar refinery (5)

Solution to Puzzle No.6,941

SPANKING OSWALD
RECKLESS PODIUM
CAPTIOUS SPRANG
STRONGHOLD
EASTBOURNE
TALLOW FLOODLIT
VETOED INCHOATE
LEDGER SERRATED

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

FRANCE (continued)

[illegible]

GERMANY

[illegible]

GERMANY (continued)

[illegible]

ITALY

[illegible]

ITALY (continued)

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

SINGAPORE

[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) Unavailable. (x) Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO
2pm prices May 23

[illegible]

f—No voting rights or restricted voting rights.

INDICES

NEW YORK — DOW JONES

	May 22	May 19	May 18	May 17	1989 High	1989 Low	Since compilation High	Since compilation Low
♦Industrials	2502.02	2501.10	2470.12	2462.43	2502.02 (22/5)	2144.64 (3/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	90.31	90.19	89.95	89.64	90.31 (22/5)	87.35 (23/3)	–	–
Transport	1161.06	1156.37	1141.82	1140.69	1161.06 (22/5)	959.95 (3/1)	1161.06 (22/5/89)	12.32 (8/7/32)
Utilities	201.04	200.51	199.21	198.44	201.04 (22/5)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2521.63 (2509.35) Low 2481.30 (2468.29)

STANDARD AND POOR'S	May 22	May 19	May 18	May 17	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite ‡	321.98	321.24	317.97	317.48	321.98 (22/5)	275.31 (3/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial (latest)	369.09	368.76	365.47	364.90	369.09 (22/5)	318.66 (3/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	30.07	29.81	29.41	29.41	30.07 (22/5)	24.30 (3/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	179.35	178.92	177.29	176.98	179.35 (22/5)	154.98 (3/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	352.98	353.83	352.58	351.84	353.83 (19/5)	305.24 (3/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	441.78	442.05	439.81	438.52	442.05 (19/5)	378.56 (3/1)	455.28 (26/8/87)	54.87 (31/10/72)

	May 19	May 12	May 5	year ago (approx.)
Dow Industrial Div. Yield	3.35	3.43	3.51	3.68
	May 17	May 10	May 3	year ago (approx.)
S & P Industrial div. yield	3.04	3.12	3.08	2.94
S & P Indl. P/E ratio	13.42	13.54	13.64	15.35

TRADING ACTIVITY † Volume

Millions	May 22	May 19	May 18
New York	185.010	211.311	178.223
Amex	11.631	13.763	12.914
OTC	124.610	181.958	163.451

NEW YORK	May 22	May 19	May 18
Issues Traded	1,996	1,990	1,978
Rises	824	1,015	831
Falls	691	519	630
Unchanged	481	456	517
New Highs	219	230	159
New Lows	26	12	19

CANADA

TORONTO	May 22	May 19	May 18	May 17	1989 High	1989 Low
Metals & Minerals	(c)	3429.9	3447.7	4346.1	3564.9 (6/2)	3207.5 (3/1)
Composite	(c)	3686.8	3675.4	3669.5	3696.1 (8/2)	3350.5 (6/1)
MONTREAL Portfolio	(c)	1901.24	1898.01	1889.95	1901.24 (19/5)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Gen Electric	4,922,900	53⅞	+ ⅝	IBM	2,866,300	111⅛	– ⅜
Avon Prod	4,811,100	32¼	– ⅞	Gen Motors	2,727,600	42⅛	+ ½
AT&T	4,658,800	35⅜	+ ¼	Sears Roebuck	2,501,700	47½	+ ⅝
Eastman Kodak	3,484,000	44⅞	– ⅛	Coca Cola	2,383,800	59¼	+ 1
Exxon	3,115,900	43⅞	+ ⅝	Amer Expr	2,296,200	33⅝	+ ⅛

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	May 23	May 22	May 19	May 18	1989 High	1989 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1583.7	1580.2	1562.9	1560.8	1583.7 (23/5)	1412.9 (7/4)
All Mining (1/1/80)	702.1	702.1	697.9	698.4	727.0 (26/1)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	308.38	304.09	308.30	315.13	320.48 (12/5)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6061.58	6081.92	6079.02	6076.32	6081.92 (22/5)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	309.14	309.03	307.69	307.61	310.64 (16/5)	275.49 (27/2)
FINLAND						
Unitas General (1975)	799.3	798.7	803.8	799.7	815.8 (18/4)	723.3 (4/1)
FRANCE						
CAC General (31/12/82)	465.9	464.5	460.3	458.5	470.4 (24/4)	417.9 (4/1)
Ind. Tendance (30/12/88)	109.4	109.2	108.9	108.2	111.3 (24/4)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	566.38	576.39	568.12	566.96	585.28 (13/4)	535.78 (27/2)
Commerzbank (1/12/53)	1681.3	1684.6	1687.0	1682.2	1741.9 (13/4)	1596.7 (27/2)
DAX (30/12/87)	1352.56	1345.10	1350.41	1343.98	1394.62 (17/4)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	3067.65	2806.57	3145.63	3277.66	3309.64 (15/5)	2706.69 (3/1)
ITALY						
Banca Com. Ital. (1972)	603.98	603.37	601.78	603.78	620.30 (24/4)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	33816.61	34067.86	34001.96	33856.3	34135.24 (8/5)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2507.85	2519.46	2518.15	2509.72	2544.60 (8/5)	2366.91 (6/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	241.0	241.5	240.4	239.4	241.5 (22/5)	208.3 (3/1)
CBS All Shr (End 1983)	187.9	188.3	187.4	186.8	190.6 (27/4)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	651.24	659.56	650.00	645.21	665.61 (19/4)	457.17 (2/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1291.92	1292.74	(c)	1309.71	1310.02 (17/5)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1371.04	1313.0	1357.0	1392.0	1639.0 (23/3)	1291.0 (15/2)
JSE Industrial (28/9/78)	(u)	2287.0	2353.0	2426.0	2581.0 (23/4)	1961.0 (3/1)
SPAIN						
Madrid SE (30/12/85)	310.82	310.24	306.24	305.44	310.82 (23/5)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	(u)	4046.8	4002.6	3971.7	4046.8 (22/5)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	672.6	674.1	672.3	670.1	686.0 (28/4)	613.1 (3/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	503.5	510.9	506.9	519.0 (17/2)	491.2 (28/3)

♦ Subject to official recalculation.

Base values of all Indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Tuesday 23 May 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Toshiba	26.4m	1,360	-20	Fuji Film	15.5m	4,040	+100
Nippon Steel	19.8m	894	-4	Japan Line	14.9m	202	-1
Meico	18.7m	1,780	-20	Canon	12.2m	1,600	+30
Sumitomo Metal	16.9m	903	+13	Sharp	11.0m	1,400	-10
Hitachi	16.5m	1,710	-20	Matsushita	10.7m	2,540	-10

3pm prices May 23

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A–A–A –								
31½	21¾	AAR	.44	1.4	21	152	31⅛	30¾	31¼	
10⅛	8¾	ACM n	1.01	11.		105	9	8⅞	9	
11⅞	10¼	ACMIn	1.26a	12.		604	11	10⅞	10⅞	+ ⅛
10⅛	8½	ACM M	n1.01	11.		295	9⅛	8⅞	9⅛	+ ¼
11½	10⅛	ACM Sc	1.26	12.		838	10⅜	10¼	10⅜	
10	8⅞	ACMSp	1.01	11.		566	9⅛	8⅞	9	
4⅞	2¼	AMCA	.12e	2.9	28	4	4⅛	4⅛	4⅛	
6⅛	3½	AM Intl				491	6⅛	6	6	
23½	18¼	AM In pf	2	8.8		11	23	22⅞	22⅞	– ⅛
65⅞	39	AMR			7	2696	63½	62½	62⅞	– ⅞
9½	3⅞	ARX				156	4	3⅞	3⅞	– ⅛
47	35¼	ASA	3a	7.6		295	39⅞	39⅜	39½	
22	14¾	AVX	.24	1.1	10	369	22	21¾	21⅞	
60⅞	43	AbtLab	1.40	2.4	17	4137	59⅛	58⅞	58⅞	– ¼
19	15⅛	Abitibi g	1			81	16¼	16⅛	16⅛	– ⅛
12	7½	AcmeC	.40	3.9		39	10⅜	10¼	10⅜	– ¼
8	5¾	AcmeE	.32	4.0	19	9	8	8	8	
34⅞	20¼	Acuson			26	996	33½	33	33⅛	– ¼
16⅞	14¼	AdaEx	1.82e	12.		164	15⅜	15¼	15¼	– ⅛
16⅞	7⅛	AMD				1737	9¼	9	9⅛	– ⅛
43½	28¼	AMD pf	3	9.1		13	33¼	33⅛	33⅛	– ¼
9½	8½	Adobe				86	9¼	9	9⅛	
18¼	16½	Adob pf	1.84	10.		163	18	18	18	
9¼	5⅞	Advest	.12	1.6	18	128	7⅜	7¼	7⅜	+ ⅛
54⅞	40½	AetnLf	2.76	5.2	9	721	53⅞	53¼	53½	– ⅛
49	24	AflPb	s.22b	.5		235	47⅝	47⅛	47⅛	– ⅝
21	13⅞	Ahmans	.88	4.2	10	3086	20⅞	20½	20⅝	– ⅛
4⅝	2⅞	Aileen			18	2	3¼	3¼	3¼	– ⅛
53⅞	37⅜	AirPrd	1.20	2.8	11	2304	43	42⅛	42¼	– ⅜
28⅞	15½	AirbFrt	.60	2.2	25	173	27½	27	27⅛	– ⅛
21⅛	12⅞	Airgas			13	109	20	19⅞	19⅞	– ⅛
20½	17¾	Airlease	2.40	12.	9	36	20	19⅞	20	
9⅝	8½	AlaP	dpf.87	9.3		12	9⅜	9⅛	9⅜	– ⅛
97⅛	92½	AlaP pf	9.44	9.8		z1920	96	96	96	+ ¼
86	79½	AlaP pf	8.28	10.		z100	83	83	83	
28¼	16⅝	AlskAir	.20	.7	10	497	27¼	27⅛	27⅛	– ½
18½	14⅝	Albnyln	.30	1.8	12	23	18⅜	18¼	18⅜	+ ⅛
42¾	29¼	Alberto	.38	.9	21	48	u42⅞	42¼	42¼	– ⅜
35¾	22⅛	AlbCulA	.36	1.0	17	6	35½	35½	35½	– ¼
48⅞	28⅞	Albtsn	.80	1.8	18	1230	46	45	45⅛	– ⅞
36⅛	26¼	Alcan s	1.68	5.1	5	3364	33½	32⅞	32⅞	– ⅞
24	17½	Alcn wi				52	22½	22¼	22¼	– ¼
30½	23	AlcoStd	.76	2.6	12	510	30⅛	29⅝	29¾	– ½
28⅛	21⅝	AlexAlx	1	3.9	16	545	25½	25⅛	25⅜	– ⅛
77	49¼	Alexdr			30	17	67⅛	67	67	– ½
88	69½	AllegCp	1.63t	2.0	11	13	84¼	83	83	– 1
4½	1	vjAlgInt				198	1⅛	1⅛	1⅛	+ ⅛
10⅞	1¼	vjAlgI pr				7	2	2	2	+ ⅛
27⅛	7½	vjAlI pfC				4	7⅝	7½	7½	– ⅜
41⅝	21⅞	AlgLud	1a	2.6	7	x544	38¼	38	38	– ⅛
40⅜	35⅝	AllgPw	3.08	8.1	10	321	37⅞	37⅝	37⅞	
16⅞	10⅛	AllenG			16	90	15⅜	15¼	15¼	– ⅜
19⅞	13	Allen	pf1.75	9.9		73	18	17⅝	17¾	– ½
12⅝	9⅝	AlnCap	n1.40	12.	20	94	12⅜	12⅛	12⅛	– ⅛
27⅞	13⅞	AlldPd			20	94	26⅞	26⅛	26⅝	+ ½
38⅞	31⅞	AldSgnl	1.80	5.3	11	2036	34⅝	34⅛	34⅛	– ¼
10⅞	9⅝	AlstMu	.78a	7.4		263	10⅝	10⅜	10½	– ⅛
10	9	AlsMP	n.15e	1.6		189	9⅝	9½	9⅝	+ ⅛
10⅞	9¼	AlsMII	n.70e	7.1		287	9⅞	9⅜	9⅞	+ ⅛
10⅝	9⅞	AlsMO	n.37e	3.6		439	10½	10⅛	10¼	– ¼
46¼	31⅝	ALTEL	n1.72	3.8	15	1672	45⅝	44⅝	44⅞	– ⅞
67¼	43⅛	Alcoa	1.60a	2.4	6	2334	66⅞	66⅛	66⅝	– ⅜
19	10⅝	AmaxG	.08	.7	17	900	11⅛	10⅝	11	
27¼	19	Amax	.80	3.1	3	3873	26¼	25⅝	25⅞	– ⅝
44½	38	Amax pf	3	6.9		2	43½	43½	43½	– ¼
14⅞	10½	AmBee	.20	1.6	5	1623	13⅛	12⅝	12½	– ½
15¼	11⅛	Amcast	.48	3.6	10	75	13⅜	13¼	13⅜	
15⅝	8⅛	Amdura			3	467	14⅜	14	14	– ½
27¾	19½	Amdur	pf1.95	8.0		29	24½	24⅛	24⅛	– ⅛
40½	25¾	AmHes	.60	1.6	11	6979	37⅞	37¼	37⅝	– ⅜

[illegible]

Continued on Page 51

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	12 Month Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
54	49⅛	PSEG pf6.05		9.5		z10	[illegible]	53	53	-⅜
56½	51¼	PSEG pf6.28		9.5		z20	55½	55½	55½	+½
72	66½	PSEG pf8.80		9.3		z3000	u73⅛	73⅛	73⅛	+1⅛
83	75	PSEG pf7.70		9.3		z8050	u83⅛	82⅞	83⅛	+1⅛
83½	77¾	PSEG pf8.08		9.9		z80	81½	81½	81½	
3⅝	1¾	Publick				4	3	2⅞	3	
51¼	33⅛	PR Cem	.65e	1.3	5	43	49	48⅝	48⅞	-⅛
19⅞	18	PugetP	1.76	9.1	9	544	19½	19⅛	19⅜	-⅛
8⅝	7½	PHICB	.85	11.		129	7⅞	7⅞	7⅞	+⅛
10	10	PHYM n				492	10	10	10	
10⅛	8⅝	PIGIT	n1.01	11.		590	9⅛	9	9	
10⅛	8⅞	PMMI	n.09e	.9		312	9⅞	9⅝	9⅞	+¼
10⅛	8⅝	PMIIT	1.03e	12.		392	8⅞	8⅞	8⅞	+⅛
9⅞	8¾	PMIT	1.10a	12.		665	9⅝	9¼	9⅝	
9⅞	8⅞	PPrIT	1.14	12.		1066	9⅛	9	9⅛	
9⅞	5⅞	Pyro			60	260	8⅞	8⅞	8⅞	-⅛
10⅞	6	QMS				208	7⅞	7½	7⅞	+⅛
1⅞	5-16	Qantel			2	142	⅜	5-16	5-16	-1-16
61½	42⅝	QuakrO	1.20	2.0	19	1900	60⅞	59⅛	59⅝	-¼
25	15⅞	QuakSC	.80	4.7	37	785	17⅛	16⅞	17	-⅛
19	11	Quanex	.32	2.0	7	130	16	15⅞	16⅛	-⅛
59½	47½	Quantm	3	6.6	2	2411	47⅝	d45½	45⅝	-2⅛
12	9⅝	QstVl	1.20a	10.		209	11⅞	11¾	11¾	-⅛
11½	7¼	QstVC				196	11½	11⅛	11¼	-⅛
35⅛	30	Questar	1.88	5.6	25	342	34	33⅜	33⅞	+⅛
15⅞	10⅝	QkRelly	.24	1.7	13	34	14⅛	14	14	-⅛
		— R — R — R —								
12	10⅞	RAC Ib	n1.32	12.		64	11¼	11⅛	11¼	-⅛
11¼	4	RAC	1.68e	33.	8	148	5⅛	5	5⅛	
12¾	6¾	RBInd				2	12¼	12¼	12¼	
22¾	20⅞	RJR pf				12697	22⅛	22⅛	22¼	-¼
10½	6¼	RLC	.20b	2.1	9	64	9⅞	9⅝	9⅝	
10⅛	7⅛	RLI Cp	.36	4.7	7	9	7⅝	7⅝	7⅝	-⅛
19¼	14½	ROC TF				684	19⅛	18⅞	18⅞	-⅛
7⅝	5	RPC			22	90	7⅞	7½	7⅝	+⅛
7½	3½	RPS n	.19e	3.1		68	6¼	6	6⅛	
76⅞	29½	Racal n		.5		2840	70⅞	68¼	68½	-4
13-16	5-16	vjRadca				25	7-16	7-16	7-16	-1-32
88⅛	70½	RalsPur	1.65	1.9	13	759	87½	87	87⅛	+⅛
12½	6¼	Ramad				4036	12⅛	11⅞	11⅞	-⅛
6½	4⅞	RangrO			50	156	5⅝	5½	5½	
64	30¼	Raycm	.32	.9	16	1005	34⅝	34¼	34½	-⅛
15	9	RJamF	.20	1.3	9	25	15	15	15	
21⅝	18	Rayonr	2.60	13.	6	145	20	19⅞	19⅞	-⅛

12 Month High	12 Month Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low
59⅞	35½	SwBell	2.80	3.8	15	4791	63⅛	62⅝
25¾	15⅝	SwEnr	.56	2.3	17	130	25	24⅞
28¾	24⅞	SwtPS	2.20	7.9	12	1304	27⅞	27½
39½	30¼	Sovran	1.52	3.9	9	493	39½	38⅞
12⅞	8	Spain	n.15e	1.3		67	11⅞	11⅞
13⅞	9⅞	Sparton	.52	4.7	37	14	11	11
14⅞	10½	Sprague	.05e	.4	21	60	11⅞	11⅞
44⅛	27	Springs	1.20	2.8	13	271	42⅞	42
58½	45⅞	SquarD	2	3.5	13	227	58¼	57¼
83½	57	Squibb	2	2.5	17	4579	80½	78¼
18½	11⅝	StBPnt			41	115	15⅛	15
22⅛	15	StdCm s	.48	2.9	21	6	16⅞	16⅞
10	7⅞	StFdBk	.40	4.1	5	435	10	9⅞
17½	11⅞	StMotr	.32	1.8	23	111	u17⅞	17⅞
15⅞	8⅝	StdPac	1.80e	12.	5	687	15⅞	15⅛
31⅞	25⅛	StdPrd	.92	3.1	10	71	29⅞	29⅛
25¼	18¾	Standex	.64	2.8	13	20	25	24⅞
31¼	17⅞	Stanhm	.88	2.8	15	461	30⅛	29⅞
35½	24	StanWk	.96	2.9	14	612	34	33⅞
28⅞	21⅞	Starrett s	.64	2.8	10	4	23	23
11⅝	9⅞	StaMSe	1.05	10.		68	10½	10¼
6	4	Steego				10	4⅛	4⅛
12⅞	8½	StrlBcp	.20	2.2	21	110	9½	9⅛
18⅞	12⅞	StrlCtr	n.50e	4.0	4	466	12⅞	12⅞
12⅞	10½	StkVC	pr. 1	8.3		z600	12	12
7⅞	5⅞	Stitel				30	6⅞	6½
88⅞	59⅝	StoneW	2.40	2.8	16	24	86⅛	86⅛
39½	28⅛	StoneC s	.72	2.5	5	7342	30	29⅞
8⅞	5	StonRs				80	6½	6¼
13⅞	10⅞	StorEq	1.40	11.	13	85	u13½	13¼
		StorTc n				977	16	14½
18	11	StratMt	1.65e	14.	7	71	12½	12
44⅞	23½	StrideR	.60	1.3	18	461	u45⅛	44
8	5⅝	SunvSh			17	5	7⅛	7⅛
11⅝	8⅞	SunDis	1.19e	9.7	11	281	11⅞	11⅞
22⅞	11⅝	SunEl	.05e	.2		304	21⅞	21½
18½	11¼	SunEng	1.08e	8.7		189	12⅞	12⅛
40⅞	28	SunCo	n1.80	4.6	10	1498	39⅞	39
68½	46⅞	Sundstr	1.80	2.7		206	67½	67⅛
5⅛	3	SunMn				1198	3⅛	3
9⅛	8½	SunM	pf1.19	14.		25	8⅞	8½
24½	19⅞	SunTrst	.76	3.2	10	1889	24½	23⅞
27⅞	19½	SupValu	.50a	1.8	15	601	27⅞	27⅛
27¼	14⅛	SybrTc			27	1447	23⅛	22⅞

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices May 23

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
PlonrSy			60	⅛	⅛	⅛	
Pitway	1.60	19	5	103	103	103	-⅛
PlyGem	.12	10	91	13⅞	13¾	13¾	-¼
Pread A	.10		61	4¾	4⅝	4⅝	
PrcsCm	.06e	1	131	8¼	7⅞	7⅞	-⅛
Prism		12	182	2⅝	2½	2⅝	
ProMed	.42	10	5	3⅞	3⅞	3⅞	+⅛
ProtCre		10	294	5½	4⅞	4⅞	-½
— R — R —							
RBW		17	7	8⅛	8⅛	8⅛	
Ragan	.12		1	23⅝	23⅝	23⅝	-⅛
Riedel		20	1	14¼	14¼	14¼	
Rogers	.12	189	22	22⅝	22⅝	22½	-⅛
Rudick	.40	12	13	22⅞	22⅝	22⅞	-⅛
— S — S —							
Salem		2	15	14⅞	14½	14½	-⅛
Scheib	.36	72	8	16	15⅞	15⅞	-⅛
SbdCp	.60		5	u148½	146	148½	+1½

OVER-THE-COUNTER

Nasdaq national market, 3pm prices May 23

Stock	Div.	Sales 100s	High	Low	Last	Chng
XL Dta s		19 1493	u22¾	21	22⅞	+1¾
XOMA		1256	u18⅛	17¾	17¾	-⅛
Xicor		10 462	8	7⅞	7⅞	-⅛
YellowF	.70	11 532	26⅞	28⅝	28¾	+⅛
ZionUt	1.44	27	25½	24¾	25½	+¾
Zycad		223	4⅛	4	4	-⅛

AMERICA

Durable goods statistics send Dow sharply lower

Wall Street

AFTER 10 days of robust gains, US stocks fell sharply yesterday amid signs that the manufacturing sector of the US economy was still growing strongly, *writes Karen Zagor in New York.*

At 2 pm the Dow Jones Industrial Average was down 20.72 points at 2,481.31. Volume on the New York Stock Exchange was heavy and declining issues outpaced those advancing by eight to five.

Markets were hurt by news that US durable goods orders rose 2.9 per cent in April from March, compared with forecasts of a gain of only 0.5 per cent. Stocks were hit harder than bonds. After an initial dip of ¼ point, bond prices largely recovered. By early afternoon, the Treasury's bellwether 30-year long bond was 102⅞, off only ⅛ point on the day and yielding 8.60 per cent.

The durable goods orders were strong across all sectors. Excluding the erratic transportation sector, durable goods orders rose 3.9 per cent against a decline of 2.6 per cent the month before. This was the largest gain since April 1987, when durable goods excluding transporation rose 4.8 per cent.

Mr Robert Heller, governor of the Federal Reserve, said the Fed had kept a tight rein on monetary policy since last March and that an inflationary surge was unlikely.

The dollar opened on a weaker note in New York after breaking through the Y140 and DM2 barriers the previous day and trading as high as Y143.10 and DM2.0285 overnight in Tokyo. The US currency later shook off further central bank intervention to recoup some of its overnight losses. By early afternoon it was trading at Y142.17 and DM2.0015.

General Motors dipped $1¼ to $41⅛. The big US car manufacturer negotiated a 2 per cent increase in steel prices, compared with 3 per cent last year, indicating a softening of the US steel and automotive markets.

Ford, which is still negotiating its steel purchase contracts, slipped $⅞ to $48⅞. Chrysler was down $⅛ at $24⅞.

Among the large US steel companies, Bethlehem Steel lost $⅛ to $23¾. USX, formerly US Steel, was up $⅛ at $34⅞ and LTV was unchanged at $2⅛.

Warner Communications, which is due to merge with Time Inc if the $18bn agreement is approved by stockholders on June 23, added $1⅛ to $52⅞ after resolving a dispute with its biggest shareholder, Chris-Craft Industries. Warner was one of the five most active issues on the New York Stock Exchange in morning trading. Time gained $1 to $126½.

Merck, the big US drug group, slipped $1⅞ to $70⅞ amid fears that profits would be hit by the strength of the dollar. Nearly half of Merck's sales are overseas. In contrast, SmithKline Beckman, another big drug company, was up $1⅛ at $61⅞.

Deere, the largest US manufacturer of farm equipment and construction machinery, added $⅝ to $58⅞ on the release of the company's second quarter results. Net earnings of $1.74 a share against $1.15 a year ago were higher than Wall Street had expected.

NWA, the parent of Northwest Airlines which has been fending off a hostile takeover bid of $90-a-share by an investment group led by Mr Marvin Davis, gained $1⅞ to $105¾. Pan Am, the troubled US carrier which has said it will also bid for NWA, gained $⅛ to $4⅞.

Among blue chip issues, IBM lost $⅛ to $109⅞.

Canada

PROFIT-TAKING and a bearish report on US durable goods orders prompted Toronto stocks to extend early losses by midday.

The composite index fell 16.0 to 3,670.5. Declining stocks outnumbered advancing ones by 277 to 186, on volume of 12.1m shares.

EUROPE

Individual issues attract notice in mixed trading

INTEREST focused on individual stocks in the leading bourses yesterday, and prices ended mixed to lower. Madrid, however, continued its run of year highs, *writes Our Markets Staff.*

FRANKFURT had a moderately active day, with the focus on export stocks, which are benefiting from the high dollar, and on corporate news. The DAX index rose 6.70 to 1,351.80 while the midsession FAZ fell 10.01 to 566.38. Turnover was DM3.89bn worth of shares.

Car makers provided much of the interest. VW performed well, adding DM7 to DM359.50. The previous day the company had held an meeting wuth analysts, who had revised upwards their earnings forecasts.

BMW was volatile, falling DM4 in early trade before an announcement of a one-for-20 rights issue. It then recovered, to close unchanged at DM512. One analyst said the issue of non-voting preference shares at DM225 each should be well received by the market. The deep discount was attractive, he explained, and the non-voting status of the shares would enable the company to retain its voting control.

Porsche rose a further DM15 to DM757 after Monday's DM16 advance, as the soaring dollar boosted export prospects.

The technology sector also benefited because the strength of the US currency made the German products look increasingly competitively priced compared with those of American rivals. Siemens gained DM5.50 to DM523.50.

Shipping company Bremer Vulkan gained DM6 to DM127.50 and reached DM130 after-hours. Its share price has more than doubled so far in 1989. The company announced strong orders and predicted a return to profit by 1990.

PARIS slipped on the final day of the bourse account as interest continued to focus on select stocks amid worries over the dollar's strength.

The CAC 40 index eased 1.75 to 1,677.19 and the OMF 50 index gave up 0.73 to 480.18. The bourse lost 1 per cent over the course of the account, which began on April 21.

Metaleurop had another busy day, rising FFr3 to FFr193 with about 178,000 shares traded, buoyed by the firm price of zinc. Fives Lille, the heavy industrial issue, added FFr5 to FFr432.50; one analyst said it was recovering from recent underperformance as well as facing speculation of a possible merger, while the narrow market in the stock exaggerated its price movements.

Ingenico dropped FFr13.50 to FFr233.50 on news of a sharp fall in its first quarter sales.

MADRID closed slightly higher, pushing the general index to another year peak. The index finished 0.47 points up at 310.82.

"There was strong buying interest, both foreign and domestic, despite concerns about the inflation level, and the market can now test its all-time high of 328 reached in July 1987," an analyst said.

He pointed out that Madrid's underperformance compared with the rest of Europe in the past six to nine months had been followed by a string of sound corporate results, while interest rates appeared to have reached a peak level.

Endesa and Repsol found good support in the market. Repsol ended slightly lower, losing 4.5 points to 419.7 per cent of par value on selective profit-taking which was well absorbed, while Endesa finished 2 points higher at 282.

AZSA, which reported first quarter profits up nine-fold at Pta5,019m, reflecting a strong zinc price, added 7 to 1,375.

MILAN closed mixed in light volume, as insurance issues went into decline and the unresolved political situation kept trading uncertain. President Francesco Cossiga continued to consult party leaders after last week's resignation of Prime Minister Ciriaco De Mita.

The Comit index edged 0.61 higher to 603.98 in volume estimated to be similar to Monday's L112bn worth of shares. Generali closed L50 down at L40,750, declining L225 to L40,575 after-hours, and RAS fell L400 to L28,300.

AMSTERDAM was discouraged by a weaker opening on Wall Street and share prices retreated. Many investors stayed away as the high dollar and interest rate fears kept confidence low. The CBS tendency index fell 1.3 to 176.6.

VRG Groep, the paper wholesaler, gained 50 cents to Fl 62 after news of the success of its bid for VGC of Florida.

ZURICH ended lower as dollar-related fears wiped out all of the gains seen in the previous two sessions. The Crédit Suisse index lost 3.8 to 557.1.

Zurich Insurance registered shares benefited from news of a partial liberalisation of the registered stock, which rose SFr10 to SFr3,910. Its bearers lost ground, however, giving up SFr130 to SFr4,700.

BRUSSELS ended lower after a series of dividend payments and profit-taking after a 10-day climb. The cash market index fell 20.34 to 6,061.58.

Utilities, in demand recently before several dividend payments yesterday, slumped across the board.

Chemical group Solvay, however, continued its advance, gaining BFr300 to BFr15,025.

STOCKHOLM suffered from profit-taking, which broke its recent run of all-time highs. The Affärsvärlden general index eased 1.8 to 1,172.4.

Brazil's bouyant bolsa comes off the boil

Hilary de Boerr examines one of this year's best performing emerging markets

THE BRAZILIAN bolsa is taking a breather; on Monday, share prices dropped by 5 per cent, a mere consolidation compared with the 143 per cent surge seen so far this year.

Profit-taking and a devaluation of the Brazilian cruzado lay behind Monday's losses, which took the Bovespa index down 0.58 points to 10.45 in dollar terms. But the small emerging market can still boast a six-month gain that already almost equals last year's 149 per cent jump.

The bolsa's powerful performance has been largely domestically-driven, as a fall in interest rates has sent institutions and private investors looking for alternative sources of investment. Short-term interest rates have dropped to between 14½ and 16 per cent from between 30 and 40 per cent in mid-January.

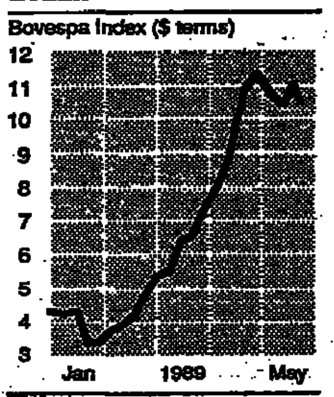
The positive corporate outlook has aided sentiment, with average company earnings forecast to rise about 20 per cent this year and with Brazilian companies among the least *indebted in the world. A short*age of stock – there have been few new issues in the past two years – has meant unsatisfied demand and continued upward pressure on share prices.

Buying has focused on blue chips, and turnover has soared from last year's levels. Average daily turnover of $170m last week compares with last year's $40m to $50m, helped by increased demand from pension funds.

Brazilian pension funds now have an estimated 32 per cent of their funds in equities compared with about 25 per cent at the end of last year, according to Mr Audley Twiston Davies of Brazilian Securities (UK), which runs the Brazilian Investment Company, one of two offshore funds open to foreigners, who cannot invest directly in Brazil.

Brazil

Bovespa Index ($ terms)



The Government's anti-inflation package, the Summer Plan, has helped the economic picture since its introduction in late January. The inflation rate has fallen considerably from pre-Plan levels of about 30 per cent a month, reaching 9 per cent last month after 6 per cent in March. Exports are booming, grain crops are forecast to be at record levels this year and private consumption is growing.

All this has boosted equities considerably. The Brazilian Investment Company has jumped by 150 per cent in value since the year began. The Brazil Fund, listed in New York, has meanwhile soared 55 per cent from its low reached in mid-December, and still stands at a discount to net asset value of about 49 per cent after taking a knocking last year. Foreigners can also invest in Brazil through half a dozen domestic mutual funds.

After a heated half-year, small clouds are, however, gathering over the bolsa. November holds the promise of the country's first free presidential election in 29 years, and investor caution is likely to set in.

Mr Twiston Davies says: *"Elections here in Britain are a* scary thing and in Brazil they're a new thing, so there's bound to be a fair bit of volatility."

The current wage and price controls have fuelled labour unrest, but signs that Mr Fernando Collor de Mello, a middle-of-the-road candidate, could win the elections, are seen as good news for the market.

While high share prices have spurred the inevitable profit-taking and the elections are adding an element of uncertainty, analysts remain optimistic, believing Brazil will at least hold on to its gains if not continue its upward trend.

Turbulent Hong Kong recoups most of loss

By Michael Marray in Hong Kong

HONG KONG share prices rebounded strongly yesterday, with the Hang Seng index rising 261.08 points, or 9.3 per cent, to 3,067.65, regaining most of the ground lost in the Monday session, when 339.06 points were shed.

Turnover soared 22 per cent to a post-crash high of HK$3.67bn, up from HK$3bn on Monday. Brokers said that trading was characterised by buyers and sellers moving in and out for quick profits on a minute-by-minute basis, at one stage pushing the index to a high for the day of 3,125 before it dropped back again.

"It has been very much two-way – we have seen some selling into strength on the way up," said Mr Barry Yates of brokers First Pacific Securities, adding that he expected the market to remain turbulent for the rest of the week.

Mr Yates said the morning buy-back was spurred by news of the withdrawal of some army units in Peking, while rumours pointing to a victory for the reformers and the resignation of Prime Minister Li Peng had also buoyed sentiment.

Mr Nick Peacock of Citicorp Scrimgeour Vickers said he expected some profit-taking to set in at current levels, but that highly volatile movements were likely to continue for some time, scaring off many international investors. "The great volatility in the market itself detracts from the market's attractiveness overall," he said.

On the futures exchange, the nearest Hang Seng index contract, which expires in June, closed at a premium to the cash market, up 295 points at 3,110. A total of 3,750 contracts traded.

SOUTH AFRICA

GOLD shares extended their opening rally in an active Tuesday afternoon session. They recouped much of Monday's sharp losses as the bullion price recovered further to above $365 and the dollar's surge was interrupted.

Comments by Mr Gerhard de Kock, Reserve Bank governor, that the gold price slump was no cause for panic, and that he saw no need for tighter monetary measures, also helped.

ASIA PACIFIC

Nikkei falls as yen weakens further

Tokyo

LATE index-linked buying helped reduce losses yesterday, after share prices had suffered their largest drop this year earlier in the day as the yen continued its seemingly endless fall against the dollar and as a rise in the official discount rate appeared to be imminent, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average plunged sharply in early trading, losing more than 400 points to the day's low of 33,582.43. Buying from index funds and arbitrage on futures later helped the market rebound and the index closed 251.25 down at 33,816.61. The day's high was 34,043.35.

Declines far outnumbered advances by 706 to 205 while 174 issues were unchanged. Turnover remained low at 725.9m shares, although this was an improvement over the 608m traded on Monday.

The Topix index of all listed shares lost 11.61 to finish at 2,507.85 and, in later London trading, the ISE/Nikkei index fell 4.17 to 2,015.41.

Investors grew increasingly concerned about the situation on the currency market, as no amount of central bank intervention seemed capable of supporting the yen in its fall against the dollar. The Bank of Japan had intervened for the seventh consecutive day in a dollar-selling operation but to no avail.

On the interest rate front, a newspaper reported that the central bank had finally decided to raise the official discount rate by 0.5 per cent. This raised fears that such a small increase would not only be ineffective, but would cast a lingering cloud over the market, as speculation about further increases would drag on.

Many analysts felt that the continuing political troubles of the ruling Liberal Democratic Party, which has yet to find a successor to Prime Minister Takeshita, and the uncertainty surrounding Japan's official discount rate would keep institutional investors cautious for some time to come. Interest remained concentrated on issues with good profits and a low price earnings ratio. Two of the most actively sought stocks were Fuji Film and Canon, whose exports could benefit from the rising dollar.

Fuji was popular for its low p/e ratio of 21 while Canon was favoured for its high export ratio of 74 per cent at the end of last year, a low p/e ratio of 46 and record annual profits. Fuji surged Y100 to Y4,040 and Canon added Y30 to Y1,800.

Rohm, which makes custom linear integrated circuits, advanced Y240 to a year high of Y3,790. The issue attracted interest as a laggard.

Other high-technology electricals that had been selected recently failed to hang on to their gains. Toshiba, the top volume issue with 26.4m shares traded, lost Y20 to Y1,360.

Nippon Steel, second on the volumes list with 19.8m shares, declined Y4 to Y894.

Tokyo Electric Power fell Y60 to Y6,000. Investors were concerned that the company would suffer from both the dollar's rise and higher oil prices after its introduction of a 2.9 per cent cut in electricity prices which it had based on an exchange rate of Y124 to the dollar.

Share prices fell sharply in Osaka as investors sold large capitalisation issues such as steels and utilities. The OSE average declined 432.04 to 32,717.58 in volume up at 62m shares against 52m on Monday.

Roundup

CONSOLIDATION in Australia left the market slightly higher, while bargain-hunting helped Singapore end little changed after early losses.

AUSTRALIA ran into consolidation after recent gains and ended only a little higher. The All Ordinaries index rose 3.5 to 1,583.7 in active turnover of 129m shares worth A$286m.

The banking sector suffered losses, with ANZ slipping 8 cents to A$5.24 before its interim results, due today.

News Corp performed well, adding 60 cents to A$14.85.

SINGAPORE was lifted off its lows by bargain-hunting in a fairly active session.

The Straits Times industrial index had fallen 17 points by midsession as unit trust fund managers sold to cover losses in Hong Kong. Investors were also discouraged by a steep midsession fall in Tokyo. However, the arrival of the bargain-hunters helped the index closed only 0.82 down at 1,291.92.

TAIWAN continued in record-breaking fashion, as it rose for a ninth session in a row. Turnover reached an all-time high of T$136bn worth of shares, up from Monday's T$108bn. The weighted index gained 89.37 to a record 9,221.47.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY MAY 22 1989						FRIDAY MAY 19 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (89)	134.78	−1.5	126.43	120.80	+1.3	4.66	136.78	125.26	119.22	157.12	128.28	128.57
Austria (19)	111.51	−3.0	104.60	116.53	−0.8	2.22	114.91	105.23	117.52	124.16	92.84	88.33
Belgium (63)	128.33	−1.9	120.38	133.55	+0.2	4.08	130.77	119.75	133.35	137.10	128.33	121.03
Canada (125)	137.53	−0.4	129.01	119.11	+0.0	3.32	138.05	126.42	119.11	138.05	124.67	115.76
Denmark (38)	171.44	−1.8	160.82	182.46	+0.2	1.84	174.58	159.87	182.12	181.03	165.35	124.88
Finland (26)	139.76	−3.2	131.10	131.15	−1.1	1.60	144.44	132.27	132.59	159.16	125.81	131.77
France (130)	112.85	−1.7	105.86	120.42	+0.2	3.12	114.82	105.14	120.13	122.79	112.57	88.99
West Germany (100)	79.63	−2.1	74.70	83.20	−0.1	2.43	81.37	74.51	83.31	90.40	79.63	73.69
Hong Kong (49)	119.29	−10.5	111.90	119.12	−10.6	4.53	133.34	122.11	133.31	140.33	111.80	98.46
Ireland (17)	138.32	−3.0	129.75	146.32	−1.2	2.88	142.62	130.60	148.04	151.36	125.00	124.62
Italy (98)	75.38	−1.3	70.71	82.02	+0.2	2.64	76.38	69.94	81.85	86.88	75.38	69.81
Japan (455)	179.61	−2.2	168.48	161.27	+0.1	0.47	183.74	168.26	161.15	200.11	179.61	171.00
Malaysia (36)	181.46	−1.5	170.22	188.13	−1.3	2.53	184.26	168.74	190.61	184.26	143.35	130.45
Mexico (13)	209.10	+4.2	196.14	561.25	+4.1	0.90	200.63	183.73	539.30	209.10	153.32	150.91
Netherland (42)	112.45	−1.5	105.48	116.25	+0.5	4.44	114.14	104.53	115.63	122.22	110.63	102.91
New Zealand (24)	67.84	−2.0	63.64	60.69	−0.4	6.08	69.20	63.37	60.95	76.02	66.84	79.20
Norway (26)	184.28	−0.2	172.87	180.72	+1.5	1.48	184.63	169.08	178.05	198.39	139.92	118.10
Singapore (26)	158.25	−1.3	148.44	143.44	−1.1	1.89	160.33	146.82	144.96	160.35	124.57	109.65
South Africa (60)	126.57	−5.5	118.73	113.16	−2.8	4.64	133.92	122.64	116.39	144.86	115.35	131.68
Spain (43)	148.09	−0.8	138.91	140.57	+1.1	3.56	149.31	136.73	139.07	156.17	143.14	149.95
Sweden (35)	157.73	−0.6	147.96	157.67	+1.1	2.18	158.55	145.29	156.01	162.00	138.45	123.46
Switzerland (57)	68.61	−1.8	64.36	76.27	+0.2	2.43	69.85	63.96	76.10	79.76	68.61	76.42
United Kingdom (314)	142.11	−3.9	133.30	133.30	−1.5	4.30	147.85	135.39	135.39	153.33	134.53	136.94
USA (558)	131.21	+0.3	123.08	131.21	+0.3	3.41	130.87	119.85	130.87	131.21	112.13	102.23
Europe (1008)	113.84	−2.7	106.79	113.47	−0.6	3.58	116.96	107.12	114.13	121.70	113.84	106.27
Nordic (125)	150.43	−1.2	141.11	147.66	+0.6	1.93	152.32	139.48	146.81	155.61	137.95	115.12
Pacific Basin (679)	175.41	−2.4	164.54	157.87	−0.1	0.69	179.69	164.55	158.04	194.72	175.41	166.51
Euro – Pacific (1687)	150.80	−2.5	141.46	140.16	−0.3	1.58	154.63	141.60	140.52	164.22	150.80	142.42
North America (683)	131.50	+0.2	123.35	130.46	+0.2	3.40	131.21	120.16	130.14	131.50	112.79	102.95
Europe Ex. UK (694)	96.37	−1.7	90.40	101.18	+0.2	2.98	98.01	89.75	100.94	105.29	96.37	87.90
Pacific Ex. Japan (224)	125.08	−4.6	117.33	115.15	−3.1	4.41	131.09	120.05	118.88	137.65	123.48	112.38
World Ex. US (1885)	150.14	−2.4	140.83	139.36	−0.3	1.66	153.87	140.91	139.72	162.77	150.14	141.40
World Ex. UK (2129)	142.41	−1.3	133.59	136.89	+0.1	2.04	144.32	132.16	136.82	146.04	138.06	125.27
World Ex. So. Af. (2383)	142.47	−1.5	133.64	136.70	−0.1	2.23	144.68	132.49	136.81	146.65	138.82	126.26
World Ex. Japan (1988)	124.69	−1.0	116.97	123.84	−0.2	3.51	126.02	115.40	124.10	126.02	114.51	104.83
The World Index (2443)	142.37	−1.6	133.55	136.54	−0.1	2.24	144.62	132.43	136.67	146.51	138.83	126.29

Latest prices were unavailable for this edition.
Canadian market closed on May 22.